

NEWS SUMMARY

GENERAL

Soviets stick to Afghan pledge

The Soviet Union yesterday reaffirmed its determination to use troops to defend the regime in Afghanistan from what it now suggests is a major challenge by the West.

Tass, the Soviet news agency, said the Moscow-backed Government in Kabul was threatened with "outright terror and violence." A despatch from the city said the "most reactionary forces of the world" had teamed up to attack Afghanistan.

Western reports said the capital remained tense and unsettled. *Back Page*

Jenkin ruling

Patricia Services Secretary Patrick Jenkin will make a statement to the Commons today about a High Court ruling yesterday that he was wrong to strip a London health authority of its powers for refusing to make spending cuts. *Back Page*

Runcie installed

The Right Rev. Robert Runcie took office as Archbishop of Canterbury in a simple ceremony in the crypt of St. Paul's Cathedral, London. *Picture Page 8*

Zipra move

An important step towards integration in Rhodesia came as 650 members of Joshua Nkomo's Zipra guerrillas reported for retraining as conventional soldiers near a base of the Rhodesian Government forces. *Pattern for peace, Page 6*

Soccer jailings

Two soccer fans were jailed and 14 others fined a total of £4,850 by Bristol magistrates after "scenes of mindless violence" at Saturday's match between Chelsea and Bristol Rovers.

IRA hold home

A mother and her two daughters, aged 18 and 22, were held at their home in West Belfast for 12 hours by the IRA while an abortive attack on a British army patrol was set up.

Surinam coup

Part of the army of the former Dutch colony of Surinam, South America, staged a coup after the Government's refusal to recognise a soldiers' trade union. *Page 4*

Case dismissed

Hatfield magistrates dismissed a case against Detective Chief Inspector Philip Culbert, who was arrested last November in connection with the Operation Countryman investigation into police corruption.

Multiple crash

Fog and ice caused a 50-vehicle pile-up on the A31 at the Hog's Back, Surrey.

Lost in space

Japanese ground control lost contact with a \$56m experimental communications satellite launched on Friday. The satellite, Ayame One, was sent into orbit to replace Ayame One, with which contact was lost a year ago.

Briefly...

China's senior Vice-Premier Deng Xiaoping stepped down as chief of staff of the armed forces in a move seen as the delegation of duties.

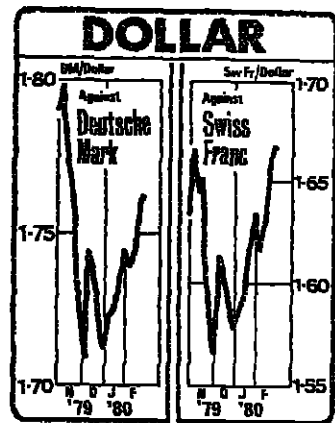
Conservation group Greenpeace announced a campaign to fight the culling of 180,000 seals in Canada this year.

A Zeppelin bomb, which had been in an outbuilding at a Lincolnshire stately home since the First World War, was made safe by an army bomb disposal team.

BUSINESS

\$ and £ strong; Gilts firmer

DOLLAR was firm on the attraction of high interest rates closing at its highest since last November against the mark and Swiss Franc at DM 1.7615 (DM 1.7585) and SwFr 1.6690 (SwFr 1.6615). It index rose 86.2 (86.1). STERLING rose to \$2.2770 (\$2.2760) with its rise possibly restrained by the Bank of England. Its index was 72.9 (72.8).



GILTS were resilient despite the Government's new 14 per cent 1996 (ap issue of £800m and long registered rises extending to 1. Shortfalls to end about 4. up on balance, despite U.S. interest rates and a shortage of credit.

EQUITIES were uncertain on continuing labour disputes, but early losses were reduced later and the FT 30-share index ended only 0.5 lower at 453.7. The Gold Mines index slipped 6.9 to 341.5 but oil shares were firm.

GOLD fell \$2 an ounce at \$627.50 in London.

WALL STREET was 7.51 lower at 861.26 shortly before the close.

SHARP BUT SHORT recession is forecast for Britain by an organisation of economic experts, followed by a strong recovery in 1982. *Page 7*

NATIONAL Enterprise Board has agreed to consider the 19.9m cash offer for Fairway Holdings, its subsidiary, made by Hambros Bank. *Back and Page 8*

COAL BOARD is expected to receive a package of financial assistance from the Government soon, including relief on its interest burden. *Page 8*

DENMARK'S current account deficit almost doubled last year to a record Dkr 15.5bn (£1.25bn) against Dkr 8.3bn (£655m) in 1978. *Page 2*

LABOUR

PAY OFFER for power workers, being prepared by a joint electricity supply industry working party, was expected by the unions to be in the region of 17-20 per cent. *Page 16*

COMPANIES

SHAREHOLDERS of Union Corporation, in which General Mining owns a 51.7 per cent stake, will vote at a meeting in Johannesburg next month on a full £208.5m merger which would create a major South African mining, financial and industrial group. *Page 26 and Lex Back Page*

YULE CATTO pre-tax surplus for the year to October 27, 1979, was £3.39 (£2.8m) with turnover up to £21.29m (£12.74m) but second half profits were static. *Page 24*

WARD HOLDINGS, the property developer, reports taxable profits to the year to October 31, 1979, of a record £2.3m (£1.24m). *Page 24*

KOMATSU of Japan, the machinery manufacturer, reports operating profits for 1979 up 37.6 per cent to ¥46.7bn (£3.2m) and net profit ahead 27.4 per cent at ¥20.24bn (£36m). *Page 29*

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:	FALLS:
Treasury 9 1/2p 1983 286 1/2	Viking Oil 880 + 70
Treasury 14p 98-01 297 1/2	Pacific Copper 212 + 8
Bakers 90 + 10	Silvermines 137 + 9
Bourne (C. T.) 136 + 10	
Burgess Products 148 + 5	
Commercial Union 140 + 5	
Glaxo 248 + 6	
London & Midland 111 + 7	
London Shop Prop. 86 + 3	
Madison-Denby 63 + 4 1/2	
May & Hassell 112 + 9	
Meyer (Mont. L.) 370 + 8	
Milner Bank 370 + 8	
Plessey 141 + 5	
Ransome Sims 137 + 24	
Sidlaw 111 + 5	
Sirir 106 + 7	
Southey 602 + 7	
Ward Holdings 65 + 7	
Aran Energy 422 + 10	
Burmah Oil 249 + 14	
	Ward Docks 135 - 7
	Muirhead 198 - 7
	Ashton Mining 147 - 9
	Continental 255 - 35
	Gen Exploration 34 - 5
	Haoma Gold 38 - 5
	Leichard Exploration 465 - 100
	Leichard Exploration 465 - 100
	MIM Holdings 350 - 20
	Magnet Metals 47 - 6
	Northern Mining 124 - 10
	Otter Exploration 123 - 19
	Samaritan A 208 - 16
	Seltrus A 472 - 21
	Unisel 230 - 10
	Western Mining 230 - 10

Steel union moves to stop 'ballot about strike ballot'

By Our Industrial & Labour Staff

Leaders of the main steel union reacted angrily last night to the revolt by some of its members in the private sector and to the British Steel Corporation's plan for a ballot of the union's members on strike.

The Iron and Steel Trades Confederation national executive committee decided to reinforce its eight-week strike against the corporation. It was considering how to block the ballot that BSC wants to conduct to discover whether steel workers want to take part in a second ballot, probably organised by the TUC, on the pay offer.

The idea of a ballot about a ballot was conceived by BSC as a way out of the impasse after it failed to secure agreement of the unions to go to arbitration, a route still favoured by Mr. Bob Scholey, BSC chief executive.

Mr. Bill Sims, ISTC general secretary, said that the strikers should ignore the ballot. But he admitted that a number of his members would reply to it.

The result would be inconclusive, he declared, since there would not be a majority voting. It was an abuse of negotiating procedure since the union was still in exploratory talks with BSC and the decision to call a ballot could set back progress towards a settlement.

At its meeting last night, the union's 21-man executive decided not to lift the sympathy strike in the private sector, despite the anxiety of many members who fear for their jobs.

It has decided to bring delegates representing the private sector to London on Friday to review the position, but to exclude those from companies like Sheerness Iron and Steel and Hadfields, where the sympathetic strike call has been disobeyed.

The executive decided to discipline the union's 800 members at Sheerness Iron and Steel. They have seven days in which to comply with the union's strike instruction before being expelled from the union.

Mr. Sims said that action had been taken against the Sheerness workers because they had consistently defied the union.

The men at Hadfields walked out two weeks ago, after a massive picket, overturning a previous decision to carry on working. Yesterday, in accordance with the vote at Sunday's mass meeting, the men turned up again for work.

They were met by only a handful of pickets who were more than outnumbered by police.

The resumption of work at Hadfields, one of Sheffield's biggest plants, seems likely to be followed by other private plants in the area.

Another mass meeting is due today at Firth Brown by men belonging to the Confederation of Shipbuilding and Engineering Unions to consider whether to agree to a resumption of work.

In Manchester men at Manchester Steel decided on resumption of work.

In the West Midlands about 2,000 workers at the Found Oak Steel plant, owned jointly by BSC and Tube Investments, crossed picket lines.

Mr. Mick Leahy, ISTC Midlands divisional organiser, said several hundred pickets would be mounted at Found Oak today to halt the plant.

If steelworkers failed to halt the plant, he said, he would be sorry.

Continued on Back Page
Parliament and Labour backs import controls, Page 10

Unions could put funds at risk, warns Premier

By Richard Evans, Lobby Editor

THE PRIME MINISTER, Mrs. Thatcher, warned today that unions could put funds at risk if they do not accept the Government's proposals curbing union power they could face further legislation including the possible seizure of their funds.

In a forceful television interview, Mrs. Thatcher insisted that despite the relatively cautious approach adopted by the Cabinet after lengthy argument she was determined to fulfil Conservative election manifesto pledges on the trades unions before the next election.

In addition, she gave Mr. James Prior, the Employment Secretary, what amounted to a public dressing down, maintaining a very firm line on Government non-intervention in the steel strike, and warned that Britain could prove an awkward partner if the budget imbalance was not corrected.

With the Government facing its first motion of no confidence in the Commons on Thursday, Mrs. Thatcher appealed for loyalty from her Ministers and sought to show that she was determined to maintain the Government's economic strategy.

Speaking on BBC Television's Panorama programme, she said the Government's purpose was to limit the harm inflicted on innocent people by union action, and this was why Mr. Prior's consultative document on union immunities had been published.

"I hope everyone will look at it and if the immunities are too wide I hope they will say so. By the time of the next General Election we have got to have fulfilled our election commitments," she declared.

Under Mr. Prior's proposals an injunction could be taken out by an employer against a named person if there was thought of being unreasonable secondary picketing. The assumption by Ministers is that unions would accept responsibility if an official was found guilty.

The Prime Minister accepted that what had to be avoided was the sending to prison of trade unionists and the present assumption was that this would not happen.

But she said the proposals do not work I would say let us go for trade union funds," she warned.

Mrs. Thatcher strongly denied that she had shown herself to be weak by not dismissing Mr. Prior for his reported comments on the need to replace Sir Charles Villiers as chairman of the British Steel Corporation.

She said Mr. Prior was "very, very sorry," and added: "You don't just sack a chap for one mistake."

Mrs. Thatcher insisted that in her view there was no question of exceeding the £450m of taxpayers' money to be paid to BSC and no question of transferring any cash from the redundancy fund to increase the pay offer.

Poland and Czechoslovakia, because they are alleged to be unfairly priced.

Mr. Crookenden said the "Little Noddy" was concerned that too little was being done by the Government to bring about greater fairness in world trade in footwear. More than 75 per cent of the world's markets were protected by significant tariff barriers, quotas or other restrictions.

Restrictions against unfairly priced imports might serve as a warning to other countries that the Government was intent upon achieving fair trade, Mr. Crookenden said.

Feeling the pinch, Page 7

Action on shoe imports urged

By Arthur Smith, Midlands Correspondent

THE FOOTWEAR industry, with more than 10,000 workers on short time and mounting redundancies, is calling for urgent Government action against imports.

Imports, rising in the wake of sterling's strength, took a record 45.5 per cent share of the UK market last year and pushed domestic output down to the lowest for 25 years at around 150m pairs. More than 800 jobs have been lost in recent weeks and the trend is expected to continue. The East Midlands has been hit hardest by other footwear manufacturing areas such as Norfolk, Somerset and the North-West.

A deputation representing retailers, manufacturers and the trade unions will press their case in a meeting tomorrow with Mr. David Mitchell, Under-Secretary of Industry.

Mr. Spencer Crookenden, chairman of the Footwear Economic Development Committee ("Little Noddy"), said last night that the industry was under threat and needed quick action by the Government.

Imports have risen especially from Italy, France, Spain, Portugal and Brazil. The industry wants immediate restrictions on shoes imported from Brazil.

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Concern over weakening yen

By Charles Smith, Far East Editor, in Tokyo

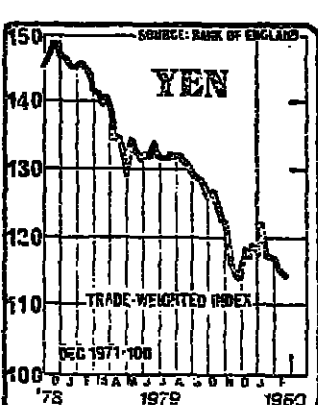
CONCERN about the new weakness of the yen is mounting within the Japanese Government. If the rate declines below the level of 1 dollar to ¥250—compared with yesterday's London close of ¥248.30—emergency measures to prop up the yen could well be introduced.

The yen hit a low point of 251.30 to the dollar in November last year as Japan's international balance of payments deteriorated sharply under the impact of higher oil prices. It then recovered towards the 230 level at about the turn of the year.

The renewed weakness—set in over the past 10 days—is put down to the realization that Japan is not yet within sight of real recovery in its external payments. The January deficit though partly for seasonal reasons, was an all-time record.

Another factor which has undermined recovery is the movement, or anticipated movement, of overseas interest rates. A 1 per cent increase in the U.S. Federal Reserve's discount rate, from 12 to 13 per cent, was followed swiftly early last week.

Continued on Back Page
Money markets, Page 31



Carter talks on inflation

By David Buchan in Washington

PRESIDENT Jimmy Carter is undertaking an urgent review of his faltering economic programme in an effort to curb inflation. U.S. consumer prices last month were 13.9 per cent higher than in January 1979.

The urgency of the political problem this poses for the President in an election year was underscored by a sudden two-hour economic strategy session he convened with top advisers at the White House on Sunday night.

Mr. Paul Volcker, the Federal Reserve chairman, warned Congress yesterday: "If we just sit here, the (inflation) rate is going to go on moving up."

But Mr. Volcker told the Senate Banking Committee that the Fed had set monetary policy on the right restrictive course by recently raising its discount rate to 13 per cent and aiming at a lower money supply growth rate for 1980. "Decisive action," he said, was now needed, but it should come in the form of tighter fiscal and budgetary policy and through curbing America's appetite for foreign oil.

The Fed chairman thereby put the onus for fresh anti-inflation moves squarely on the Carter Administration. "The Fed would seek to stick to its policies with out deviation, and Mr. Volcker suggested these policies would bite the harder because both inflation and business activity in the U.S. seemed to be surging again."

Bank loans to business rose 20 per cent in January, a rate somewhat exaggerated, Mr. Volcker pointed out, by one very big credit to Shell to take over another oil company. But the loan pace was continuing this month too, he added.

Time is pressing on the Carter Administration for the preparation of any additional counter-inflation measures, both because the season of presidential primary elections is upon it, and because experience shows that once obvious moves, such as mandatory wage price or credit controls, start being discussed business and labour begin to anticipate them by increasing credit lines or wage demands.

The Administration has consistently ruled out a wage and price freeze or mandatory control, partly for the very reason that Senator Edward Kennedy, Mr. Carter's main Democratic rival, is loudly in favour. Yesterday Mr. Volcker gave such an idea little credence.

But a small but growing number of influential Congressmen, such as Mr. Henry Reuss, chairman of the House Banking Committee, and economists have in recent days given qualified support for economic controls of this type.

Direct credit controls have at least one supporter in the White House, Mr. Alfred Kahn, the President's anti-inflation adviser, who has more or less conceded publicly the failure of present policies and pushed the need for fresh moves.

Last Friday's bad inflation news, revealing a 1.4 per cent jump in consumer prices between December and January, the biggest monthly jump for six years, may have swung more Administration officials to Mr. Kahn's support.

But Mr. Volcker declared yesterday he was not an enthusiast for credit controls, making clear he preferred the Fed to stay out of the business of rationing or allocating credit by administrative fiat.

The advantage of credit controls for Mr. Carter, who must now feel the political need to be seen to be taking new anti-inflation measures, is that he can request the Federal Reserve to impose them under the 1969 Credit Control Act.

Wage and price controls, by contrast, need Congressional sanction. *Pages 4 and 23*

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EUROPEAN NEWS

Bonn confident of meeting 3% defence target

BY ROGER BOYES IN BONN

WEST GERMANY is confident that it will be able to raise its defence spending this year to meet the NATO target of a real 3 per cent increase.

Bonn has come in for considerable criticism from the U.S. for its 1980 defence budget allocation of DM 38.4bn (£26.6bn) which—with a deflator of 3 per cent—represents a real increase of only 1.3 per cent. West German officials have argued that 31 per cent of this allocation will go towards weapons procurement, thus contributing directly to the strength of the army. This is a tacit criticism of countries such as Britain, which has reached the 3 per cent target partly because of high wage increases for its forces.

Officials in Bonn now go a step further, however, and maintain that, with an additional budget allocation of DM 320m (£20m) for extra fuel costs and with proposed military aid to Turkey, actual defence spending will be just under the 3 per cent mark.

The Defence Ministry is also looking at other options, including the raising of ammunition reserves, which will form part of the West German case at the NATO Council meeting on May 12-14. Bonn stresses that additional defence moves must be co-ordinated within the alliance.

The focus of the additional defence effort, for Bonn, will be the strengthening of Turkey. This is seen as its main contribution to a concerted Western response to the Soviet invasion of Afghanistan.

Defence Ministry officials confirmed yesterday that there have been talks with Turkey about the supply of some 70 Leopard 1 tanks but they stress that any final agreement will come as part of an aid package being arranged by Herr Hans Matthefer, the Finance Minister.

If the tank supply deal goes ahead, Bonn will probably give the tanks to Turkey free of charge. At current prices, the latest Leopard 1s cost about DM 3m (£750,000) each.

The original idea was for Bonn to guarantee export credits to Turkey enabling Turkish defence planners to buy 150 of the tanks. But it has become clear that this would put excessive financial pressure on Ankara and that, in the wake of the Afghanistan invasion, it made more sense to supply them free.

Military aid to Turkey also presupposes some kind of equivalent assistance to Greece but it is not yet clear what West Germany can offer the Greek Government.

Gaullist leader returns to the attack

By Robert Mauthner in Paris

THE LEADER of the Gaullist RPR party, M. Jacques Chirac, who two weeks ago broke a long public silence with an uncharacteristically low-key news conference, has reverted with evident relief to his previous role of "Trojan Horse" within the ruling coalition's ranks.

In a weekend radio interview, M. Chirac went out of his way to dispel the impression left by his news conference that he was now much more in sympathy with the Government.

The Gaullist leader, who is generally expected to run against M. Valéry Giscard d'Estaing in the next presidential election due in the spring of 1981, said he was feeling "more and more uncomfortable" inside the coalition. But he stressed again that the Gaullists were not planning any move to put the Government's life in danger.

M. Chirac's remarks clearly demonstrated his difficulty in walking the tightrope between open opposition and critical support of the Government. The Gaullists are obliged to draw a distinction between their own policies and those of the Government to enable M. Chirac to appear as a real alternative to President Giscard d'Estaing, while at the same time taking care not to identify themselves with the Left-wing opposition.

After his mild treatment of the Government in his recent news conference, M. Chirac came back to the attack this time. Government policies, he said, had weakened the economy and Prime Minister Raymond Barre's stabilisation plan had been a complete failure.

Criticising the way President Giscard was running the country, he said, power was now concentrated to an unprecedented degree in the hands of the President. M. Giscard, meanwhile, has announced several important initiatives to promote workers' participation in industry. Though he ruled out any form of direct workers' control, he said that the Government would shortly table a Bill authorising companies to distribute free shares to their employees up to 3 per cent of their capital.

Charles Batchelor in Amsterdam analyses the reasons for the Dutch Cabinet crisis

The coalition road to fragile power

THE CRISIS which almost overwhelmed the Dutch Centre-Right coalition Government last week had its roots in the country's electoral system, which is based on proportional representation. This allows many parties a voice in Parliament, making coalitions the only way to power.

More immediately, Mr. Dries van Agt's Government has suffered during its two years in power from divisions within its own ranks. Although nominally composed of two parties, the Government in reality has four parts. The dominant Christian Democratic Party is composed of three smaller confessional parties which have yet to merge fully.

The row which led to the resignation of Mr. Frans Andriessen, the Finance Minister, last Wednesday, and which at one stage seemed likely to bring the Government down, was an internal Christian Democratic affair. Mr. Andriessen wanted larger cuts in public spending than acceptable either to Dr. Willem Albeda, the Social Affairs Minister, or to Mr. van Agt himself, both also Christian Democrats.

The Government's survival was undoubtedly largely due to the strong gains by the Left-wing parties indicated in recent opinion polls. The Right-wing Liberal Party would almost certainly be out of the next Government, and even the middle-of-the-road Christian Democrats, the keystone of Dutch politics for most of this century, might find themselves dispensable.

Under the Dutch system of proportional representation, the entire country, with its more than 8m voters, becomes one constituency, although for practical purposes it divides into

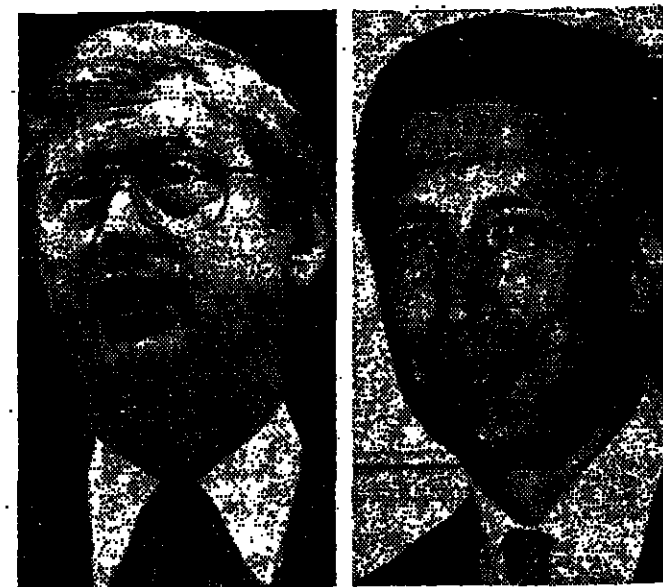
18 electoral districts. A party keen on winning the maximum number of seats will submit a list of candidates in each district. Although a deposit is required in each district to prevent excessively small parties being formed, the threshold for a party to gain a seat in Parliament is low by international standards.

A party can get its candidate into Parliament if he gains two-thirds of 1 per cent of the national vote. The total national vote—6.3m in 1977—is divided by the number of seats in the lower house, which is 150. Any party which gained more than 55,300 votes in the last election was therefore entitled to a seat.

This led to 11 parties taking their place in Parliament in the May 1977 election, while 13 more were excluded. The smallest party to gain representation was the Left-wing Democratic Socialist (DS) group, which gained only 0.72 per cent of the poll, with 56,500 votes, which allowed it one member of Parliament.

A result of the "one constituency" principle is that MPs are much freer to make decisions according to their own consciences, without constantly looking over their shoulders to gauge the feelings of their constituency. This results in debates in the Dutch Parliament being less tied to local and regional issues than in, say, the UK, and allows more room for idealism.

Because of the large number of small parties in Parliament, governments are inevitably coalitions—the last left-of-centre government was composed of five parties. Dutch politics tends, therefore, to be the politics of compromise, although this is made easier by



Mr. Frans Andriessen, left, wanted larger spending cuts than were acceptable to Mr. Dries van Agt, right. Mr. Andriessen resigned. Mr. van Agt's Government tottered.

the parties' relative freedom from constituency worries.

Although compromises are constantly being made, they have their limits. Only three of the 14 post-war Dutch cabinets have lasted their full four-year term.

Despite the electoral system's disadvantages for strong government, it suits the Dutch very well. No voice is raised for any less thorough method of allowing all opinions to be heard, although the gradual secularisation of Dutch life has led to religious divisions becoming less clear-cut and less significant in politics.

The formation of the Christian Democratic Party from the Catholic People's Party and two Protestant groups, the Anti-Revolutionary Party and the Christian Historical Union,

reflects this trend. To strengthen their much-eroded power base these three parties merged partially three years ago, and they plan to integrate fully in October.

Despite Mr. van Agt's Government's slender majority, it has only 77 of the 150 lower house seats—and the potential for a difference of views between its two member parties, most of its problems have come from differences among the Christian Democrats themselves. The radical wing of the Anti-Revolutionary Party would have preferred a coalition with the Socialists, and has constantly opposed the compromises forced on the Christian Democrats by their coalition with the Liberals.

Opposition from a group of Anti-Revolutionary Party dis-

sidents threatened the Government in its first year over plans to export enriched uranium to Brazil, while conflict flared again last year over the Government's attitude towards the North Atlantic Treaty Organisation's plans to modernise its European missile arsenal.

Traditionally, ministers from the smaller coalition partners have felt obliged to resign over the policies being pushed by the larger party, but the two ministers who have resigned from the present Government both belonged to the Christian Democrats. Dr. Roelof Kruldinga, from the Christian Historical Union wing, resigned in 1978 over his opposition to the neutron bomb.

Mr. Andriessen has now stepped down because the Government was not prepared to support his tough economic proposals. Ironically, he had the support of Liberal Party ministers for his views, and was opposed by some ministers from his own party.

Divisions within the Christian Democrats are hampering the choice of Mr. Andriessen's successor. The Catholic People's Party wants to keep its hold on the Finance Minister's post, but it lacks suitable candidates. It agrees to swap portfolios, a complicated Cabinet reshuffle will be needed to ensure that none of the three Christian Democratic parties suffers.

The Christian Democratic radical wing argues that the new party's problems would be solved by a coalition with their more natural allies, the Labour Party. The latest opinion poll has shown, however, that even if this Government survives its remaining 15 months, the left may be able to dispense with the Christian Democrats altogether.

Danish payments deficit widens to £1.25bn

BY HILARY BARNES IN COPENHAGEN

DENMARK'S BALANCE of payments deficit on the current account last year almost doubled to a record DKr 15.6bn (£1.25bn) compared with DKr 8.2bn (£655m) in 1978, according to the Bureau of Statistics. The fourth quarter deficit was DKr 4.7bn, compared with DKr 2.8bn in 1978. There was a DKr 4bn deterioration in the balance of goods and services last year, and of

DKr 3.4bn in other items, including an increase in net interest outgoings from DKr 4.9bn to DKr 6.8bn.

The current account deficit was financed by public sector borrowing of DKr 4.6bn (DKr 7.5bn in 1978) and private sector net capital imports of DKr 12.7bn (DKr 6.6bn) and, after errors and omissions, there was a DKr 499m increase in international liquidity.

Energy imports rose by 51 per cent to DKr 18.7bn and commodity imports by 21.1 per cent to DKr 97bn. Exports rose by 18.7 per cent to DKr 78.8bn.

Eastern bloc deadlock

PRAGUE — Czechoslovakia and Romania have failed to reach agreement on tourism for this year and several thousand Czechoslovaks will have to reconsider their holiday plans, tourist officials said here yesterday. The deadlock is said to be due to Romania's insistence that all payments for tourist services be paid for in hard currency. Czechoslovak travel agents are telling their customers that nothing is available in Romania so far and that travel to Bulgaria will be limited to air tours. Reuter

Swiss watch industry's gold plan

BY JOHN WICKS IN ZURICH

THE CREATION of a special gold pool to counter the effects of price fluctuations on industrial users has been suggested by the Swiss watch industry association, Federation Horlogère. The fund would build up a stock of gold, which would be sold to processors at an "average price adapted to market trends."

According to Mr. Rene Retornaz, director of the Federation, the project would call for financing of some SwFr 300m (£80m). The

raising of this money and the question of risk coverage are under discussion with banks, and with the jewellery and dental industries as other important consumers. One possibility is that the pool might be supported initially by national bank gold.

Mr. Retornaz, who says the idea is meeting with interest, points to the fact that the watch industry is the biggest single gold user in the country. Total Swiss consumption of gold was recently estimated unofficially

at 33.4 tonnes in 1978.

Some eight years ago, when gold cost \$450 an ounce, an attempt was made to establish a similar fund. It was decided then that the difference in price during a given month was too small to make the project worthwhile. Since then, watch industry use of gold has doubled, and the price has shot up and fluctuates considerably.

Should the Federation's discussions prove successful a pool could be set up in five or six weeks.

Dissidents held in Poland

WARSAW — Police detained 13 dissidents in Warsaw and other Polish cities over the weekend to prevent them from attending meetings organised by the KOR Self-Defence Committee, a spokesman for the committee said yesterday. Most of the arrested members and sympathisers of KOR, including their chief spokesman Mr. Jacek Kuron, were released within 48 hours, the maximum time anyone can be detained without being charged. Reuter

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Yugoslavs win generous EEC trade concessions

BY JOHN WYLES IN BRUSSELS

NEGOTIATORS FOR Yugoslavia and the European Commission yesterday initialled a wide-ranging co-operation agreement which the EEC has concluded in great haste following the Soviet invasion of Afghanistan and President Tito's serious illness.

Neither side was publicly willing yesterday to acknowledge that recent international tensions explained the speedy conclusion of an agreement which has been two years in negotiation. However, it was undoubtedly made possible by the EEC Foreign Ministers' sudden eagerness in January for an accord, which has since been translated into Community trade concessions of a generosity which tough Yugoslav negotiating has successfully built upon.

As a result, the co-operation agreement with Yugoslavia which designates itself a "non-aligned, European, Mediterranean and developing country" will be virtually the most wide-ranging that the Community has reached with countries in any and all of these four categories.

Its achievement will be celebrated by a visit to Belgrade this Thursday and Friday by Mr. Roy Jenkins.

The commercial arrangements in particular, will give free access to EEC markets for 70

per cent of Yugoslavia's industrial products. The remainder, excluding non-ferrous metals and textiles covered by special arrangements, will be subject to tariff ceilings which offer none the less, the possibility of substantial increases in Yugoslav exports to the EEC.

This, as Mr. Stojan Androv, the Yugoslav negotiator, made clear here yesterday is a primary objective for his country. Yugoslavia's trade gap with the EEC is more than half its total trade deficit. It has deteriorated from around \$880m in 1973 to more than \$90m last year. At the same time, Yugoslavia's dependence on Comecon markets for its exports has increased.

But in negotiations over the weekend the EEC substantially improved trade offers tabled last year covering both industrial and agricultural products. On the industrial front, the number of products which the EEC sought to cover by import ceilings above which tariffs would apply, has been whittled down from more than 60 to 29, covering 13 per cent of Yugoslavia's industrial goods.

Yugoslavia's agricultural exports also gained new opportunities through the agreement. This was a major aim of Mr. Androv

and his team who have pointed out that the creation of the common market for farm goods has slashed Yugoslavia's agricultural exports from more than half of the country's total sales to the Community in the early 1960s to 13.5 per cent in 1978.

A major EEC concession covers baby beef, which worried the Italians in particular, but which could now increase from around 13,000 tonnes a year to the agreed tariff quota of 35,000 tonnes, nearly double the amount the EEC offered to accept from Yugoslavia last year.

Italy also agreed to concessions which will enable certain quantities of Yugoslav tobacco to enter the Community while levies on some 12,000 hectolitres of Yugoslav wine will also be reduced.

The commercial agreement will run for five years and will be renegotiated after four. But the co-operation agreement as a whole, to be administered by a co-operation council, has no set date of expiry.

It also provides for European Investment Bank loans to Yugoslavia worth \$292.5m over five years and for closer links in the development of science, technology, energy and tourism.

Growth rate of under 3% expected for Ireland

By Stewart Dalby in Dublin

IRELAND'S balance of payments deficit this year could exceed last year's £760m unless deflationary measures are taken. Such a deficit would seriously deplete reserves and would put pressure on the authorities to devalue. Those are the main points to emerge from an independent economic forecast and from the Government on the run-up to the budget-day tomorrow.

The latest report, the Government's economic background to the budget, says that because of oil price increases, this year's rate of growth is unlikely to be as high as last year's, which was just under 3 per cent. Ireland has few indigenous sources of energy and imported oil accounts for 70 per cent of the country's needs.

The Government's projected growth rate seems to square with a forecast last week by the Economic and Social Research Institute, one of the leading independent organisations. It estimated that growth in gross national product would be about 2 per cent.

The institute thinks that personal consumption will drop by 1 per cent and that the balance of payments deficit could emerge at Ir£640m.

This estimate assumes that exports will be buoyant, with a possible 6.7 per cent increase in volume, that the terms of trade particularly with Britain, will not deteriorate too badly and that the necessary deflationary measures will come into effect.

The outlines of tomorrow's budget, which will certainly be deflationary, have already emerged. Public spending is to increase by 12.3 per cent which will allow for probable inflation of between 14 and 16 per cent and a cut in real terms. Capital spending is to rise by some 13 per cent which means it will just about keep up with inflation.

Mr. Michael O'Kennedy, the Finance Minister, is thought to be looking for increased revenue through stiffer indirect taxation amounting to between Ir£300m and Ir£500m, depending on what concessions he intends to make in direct taxation in response to the agitation against high taxes in the PAYE sector.

Iceland allays fears on NATO base

BY WILLIAM DULLFORCE IN REYKJAVIK

A PLEDGE that there will be no change in Iceland's foreign policy or in its policy towards the NATO base at Keflavik has been given by Mr. Olafur Johannesson, Iceland's new Foreign Minister.

His categorical statement to the Financial Times that there will be no change while I am in this post allays doubts about the attitude of the new governing coalition formed by the Left-wing anti-NATO People's Alliance, the Progressive Party and a splinter group from the Independent (Conservative) Party, headed by Mr. Gunnar Thoroddsen, the new Prime Minister.

Mr. Johannesson was Prime Minister in the Centre-Left Government, the collapse of which precipitated the December general election. He is a former leader of the Progressive Party, which strengthened its position in the election.

The base, operated by the U.S. Navy at Keflavik, is a vital link in NATO's early warning defence system, and in the Western Alliance's control of the sea and air approaches to the North Atlantic.

Left-wing groups in Iceland have periodically tried to expel the Americans from the base, but the programme of the new Government does not mention it, and the three groups in the coalition have agreed to set aside their differences over the base, according to Mr. Johannesson.

Mr. Johannesson said he hoped to have an informal discussion with Mr. Knut Frydenlund, the Norwegian Foreign Minister, on the dispute between the two NATO members over Norway's desire to declare a 200-mile fishery protection zone round the island of Jan Mayen, north-east of Iceland.

But Iceland was maintaining its claim to full jurisdiction over its own 200-mile zone, which overlaps the Jan Mayen zone, and wanted guarantees of its rights to the fish and other resources of the Jan Mayen zone, Mr. Johannesson.

'Black' workforce seeks legality in France

BY DAVID WHITE IN PARIS

SEVENTEEN TURKISH clothing workers went on hunger strike in Paris on February 11 for the right to work under normal conditions and with legal papers.

Their action has awoken the French media and the authorities to the pressing problem of clandestine labour. This has long been overlooked although the most blatant example lies right under their noses in the middle of the Right Bank of Paris—the fashion sweatshops around the Rue du Sentier.

An estimated 20,000 illegal foreign workers are employed in the Paris clothes business. At the CFDT trade union, the first to devote itself to the problem, the total of unregistered immigrant workers—“sans-papiers”—in France may be as many as 400,000, or almost a tenth of the whole immigrant population.

The Rue du Sentier is the centre of a concentration of small dressmaking workshops. One finds here Asians, Greeks, Yugoslavs and Mauritians. The

latter preceded the Turks a few years back in campaigning for their documents.

The Financial Times office, in the Rue du Sentier itself, is one of the few places not connected with the bustling trade that blocks local traffic day-long. But, one by one, newspapermen have been moving out of the old Continental Daily Mail building, and the rag trade has already reached the first floor.

The area fulfils an important secondary role in the clothes trade, making up the gap where big producers cannot turn out enough, filling in when they have finished with one season and are concentrating on the next. The backroom workshops adapt instantaneously to every latest trend. Sometimes they produce specially for “sales.”

Not all operate with illegal labour, but many do. What should be the Government's VAT offset largely disappears into the hands of middle-men and accounting is often fictitious.

Paid by the article, an immi-

grant worker may earn FF5,000 to FF7,000 a month (£530-£745), better than a factory wage. But he has no social security rights, no paid holiday, probably works double-time and risks having no work at all during the slack season.

French television viewers the other day were shown a wind-cheater which started off with a cost price of FF36, including labour and material. When it reached the wholesaler the price was FF219, and in the clothes shop FF450.

At the national women's ready-to-wear clothes federation, not far from the Rue du Sentier, they insist that clandestine labour does nothing to bring final prices down. It does nothing, therefore, to compete against Third World imports.

The federation favours giving the workers regular papers, since the trade would have difficulty finding qualified French labour to replace them.

The seamstresses of Paris are a disappearing race. The above-board women's

ready-to-wear business has about 92,000 workers and a turnover of FF10.3bn (£1.1bn) a year. Figures for apparent consumption—that is, production plus imports minus exports—fall 10-15 per cent short of figures for real consumption drawn up by the Government's statistics office. Stocks may account for part of this distortion, but it gives an idea of the importance of the black market sector.

The federation puts the figure for illegal workers—not counting the men's clothing sector—at 10,000-15,000, although some Press reports have pushed this up to 50,000.

M. Lionel Soler, Secretary of State in charge of manual workers and immigrants, met the Turkish protesters last week. He promised them a committee to try to find a solution.

But the Government, which since last year has been cracking down on work permits and on clandestine immigration, is firmly against a package that would mean papers for all.

Greece and Turkey clear the air

BY DAVID TONGE

IT HAS taken six years for Greece and Turkey to resolve the first of their many disputes over the Aegean. But last weekend's re-opening of the airspace between the two countries to international civilian flights for the first time since 1974 is described by both sides as a gesture of goodwill which should improve the atmosphere for negotiating their other problems. These include disputes over the continental shelf and differences about the allocation of military responsibilities which are preventing Greece's re-integration into the military wing of NATO.

Western governments are impressed but express some anxiety that the Turks' willingness to take the first step may have been intended mainly to mollify the countries from which Turkey is seeking financial help. Yesterday, Turkey

told members of the Organisation for Economic Co-operation and Development in Paris that it either needed \$8.5bn concessional loans over the next five years or the re-scheduling of almost half of its \$14bn debt.

An indication of the difficulties still remaining is that, however positive this move, the Greeks have just rejected a NATO proposal on their re-integration into the military wing of the alliance.

The plan had been presented by General Bernard Rogers, NATO commander in Europe, to Agamemnon Gratsios, the Greek chief of staff. It is believed to have proposed that Greece and Turkey should each be responsible for their national airspace, but that international airspace should come under the command of a third-country, probably the U.S., with a new headquarters to be established on the island of Crete.



Gen. Rogers: Greek 'no' to his plan.

Rome to crack down on illegal immigrants

BY RUPERT CORNWELL IN ROME

THE GOVERNMENT is planning a major clampdown on illegal foreign immigrants to Italy.

Measures presented to the Senate by Sig. Virgilio Rognoni, the Interior Minister, call for prison sentences of up to one year and heavy fines for offenders.

The action has been largely forced upon the Government by the steep increase in the number of illegal foreign workers in Italy, ironically once a supplier of cheap immigrant labour

to richer countries in northern Europe or North America.

It has been estimated by Censis, the leading social affairs institute here, that more than 400,000 foreigners have jobs in Italy, not more than half of them legally. These immigrants from the Maghreb countries, Italy's former African colonies, and the Far East, have brought a host of problems with them.

Violence and gang warfare have spread in the heart of major cities like Rome and

Milan, while the newcomers have undoubtedly been partly behind the vast increase in drug addiction in the country. With them, too, has come the hitherto unfamiliar problem, for Italy, of race relations.

Under the proposed laws, any worker found staying after the maximum 30-day grace period after which he must register with the authorities, is liable to theoretically, to a fine of up to Lm (£520) and a year's imprisonment.

The Interior Minister and provincial Prefects would have wide powers to expel aliens who posed a threat to public order. At the same time, anyone aiding and abetting illegal immigration faces up to two years' jail and a fine of up to L5m (£2,650).

In a statement, Sig. Rognoni declared that the tough action was needed to tackle the spread of crime related to immigrants, among whose number were "dangerous or suspect elements."

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Trudeau extends a hand to the West

By Victor Macklin in Ottawa

THE TWO Liberals from Manitoba who were elected to the Canadian House of Commons in the general election last week have been charged with finding a way to give the west more representation in the new government of Mr. Pierre Trudeau, the Prime Minister-elect.

The two MPs, Mr. Lloyd Axworthy and Mr. Bob Pickens, both representing Winnipeg constituencies, will offer suggestions to Mr. Trudeau next week.

Mr. Axworthy, the Quebec Liberal member who was asked also to consider ways of increasing western representation in the new cabinet. They have suggested putting up a British Columbia Liberal for the Francophone constituency in Quebec. The 200 in French-speaking was delayed until March 18, following the death of the federal credit minister in that riding during the campaign.

Democracy rule for island aid

By Tom Coker in Bridgetown

BRITAIN plans to consider the human rights records of Caribbean states before determining its aid programmes, Mr. Neil Taylor, Minister of State at the Foreign Office, has announced.

Mr. Taylor said that the new policy would mean that the House of Commons would have to approve any aid to a Caribbean state if it was found to be a human rights abuser.

The House of Commons has expressed concern over the human rights records of Caribbean states, and Mr. Taylor said that the new policy would mean that the House of Commons would have to approve any aid to a Caribbean state if it was found to be a human rights abuser.

NEW HAMPSHIRE PRESIDENTIAL PRIMARY

Gaining momentum will count for more than winning

BY JUREK MARTIN IN MANCHESTER, NEW HAMPSHIRE

TODAY'S Presidential primary election in New Hampshire should produce the first real narrowing of 19 candidates for the White House from the Republican and Democratic parties.

The stakes are highest for President Jimmy Carter and Senator Edward Kennedy among the Democrats and for Mr. George Bush, Mr. Ronald Reagan and perhaps one other Republican.

The real goal here is to acquire momentum. To do well, or better than expectations here, in the first primary of the election year, counts much more than winning the small number of delegates that the state will send to the respective national party conventions—in the case of the Democrats just 19 out of 1,361, with the Republicans 22 of 1,564. To do badly or to fail

to meet hopes can mean a premature end to ambition.

Of the Democrats, Senator Kennedy from Massachusetts has most in loss and gain. Defeat already by President Carter in Iowa and Maine and with his prospects reportedly not good in Minnesota, where party caucuses are also being held today with many more delegates (75) eventually to be allocated, Mr. Kennedy may find it hard to recover if the President carries New Hampshire by a sizeable margin.

Two local polls give Mr. Carter a better than 20 per cent lead—a dramatic reversal from similar findings last summer when the Senator led by 3-1 here. But most experts predict a much closer result.

Mr. Kennedy certainly has devoted unstinting effort here in the last week, hammering

away at Mr. Carter's economic policies, condemning his refusal to leave the White House to campaign and importing bus loads of young campaign workers.

If Mr. Kennedy wins, or runs the President close, as he did in Maine, then his belief that the country is at last beginning to wake from its consuming interest in international crisis will be strengthened and his chances will look better. Campaign money, which will dry up if he is crushed, should still be available.

Mr. Carter still has the tactical advantage that the campaign will soon be moving to his ground in the South, which would enable him to survive a loss here, in what he can always dismiss as Kennedy territory. But he, too, must be concerned that a protracted bitter debate

with Mr. Kennedy will weaken such national support as he now commands.

An important factor in the Carter-Kennedy confrontation will probably be the share of the vote picked up by Governor Jerry Brown of California who has been making a big pitch for the anti-nuclear, anti-draft, young vote. Deluded of finances, Mr. Brown's longer term prospects still look grim, but he says that even if he goes back to California and sits out a few primaries he will return later in the season.

On the Republican side it matters enormously which of the two joint favourites, Mr. Bush or Mr. Reagan, actually finishes first. The former Governor of California clearly hopes that Mr. Bush's rising momentum will have been stalled by last Saturday's bitter

controversy over an aborted debate of all the candidates in the city of Nashua.

All the other contenders have sharply attacked Mr. Bush for insisting that the debate be limited to Mr. Reagan and himself while the whole affair seems to have re-ignited fires in Mr. Reagan's own soul.

If Mr. Bush wins handily, he will find himself where Mr. Carter was four years ago after New Hampshire—the sudden, solid favourite for the nomination, well organised, and well financed, with the opposition in disarray.

If Mr. Reagan triumphs (and he lost here by only a handful of votes to President Ford in 1976) he will have erased his setback at Mr. Bush's hands in Iowa last month and will be more able to survive the certain loss next week in Massachusetts before the campaign moves to the conservative South.

Finishing third on the Republican side in New Hampshire is of great importance. That hope seems to rest with Senator Howard Baker, liberal Congressman John Anderson, and possibly conservative Congressman Philip Crane.

All need to demonstrate that the Republican contest has not narrowed to a two-horse race; none can survive financially without giving some demonstration of electoral appeal. Finishing lower than third is probably the kiss of death, a spectre already staring the two remaining candidates, Senator Robert Dole and Mr. John Connally, in the face, though Mr. Connally still thinks he can recover in the South.

Mood of America feature, Page 33

Conscription for women comes under heavy fire

BY PATTI REALI AND NANCY DUNNE IN WASHINGTON



One of the new breed of U.S. Marines on the firing range with her automatic rifle.

WHEN President Jimmy Carter was riding high in the opinion polls, he took the opportunity to make a political decision which was bound to please no one. Along with a request for \$20.5m to revitalise the Selective Service System, which is in charge of obtaining recruits when conscription is in effect, Mr. Carter asked Congress for authorisation to register women for conscription, as well as men.

Registration has been consistently opposed by those who believe it would be the first step back to conscription. The idea of registering women drew fire from feminists, anti-feminists and Capitol Hill.

On Saturday, the Washington Post revealed that registration had been opposed by the Selective Service System itself. Even before the President asked for registration, a Selective Service report called the move "redundant and unnecessary" and said the agency could carry out war plans without resorting to registering people before a national emergency occurred. The President, however, went ahead with the policy, apparently concluding that the Soviet invasion of Afghanistan sent a signal to the U.S. and would rebuild its conventional forces.

Advocates of women's rights, who launched their movement in the 1960s at the time of the

Vietnam anti-war protests, are in a quandary. They are torn between a commitment to equal rights and their traditional opposition to war and militarism. Feminist organisations like the National Organisation for Women, the leading women's lobby, have come out decidedly against registration for either men or women. They qualify their opposition, however, by saying that if men are required to register, women should also have to sign up.

Opponents of equal rights for women, who have long used the conscription issue to rally support, are even more vociferous. President Carter has stabbed American womanhood in the back in a cowardly surrender to Women's Lib," says Phyllis Schlafly, America's leading anti-feminist.

The mood in Congress these days is amenable to registering men, let alone women, despite worry about last year's 7 per cent shortfall in recruits. When the House Armed Services Committee last year approved a Bill to register 18-year-olds, the Administration pressed for defeat of the measure, which subsequently failed in the House. Congresswoman Patricia Schroeder, a committee member who led the Administration's battle against the Bill, says she is a little annoyed that Mr. Carter has changed his mind.

Even against a background of increased international tensions with the Soviet Union and Iran, conscription is still an unpopular idea. The move towards registration, however, is being received more positively.

A recent Gallup poll of Americans aged 18 to 24, indicated that 70 per cent of women and 77 per cent of men favour registration. They did find it more difficult to swallow the idea of registering women. Only 48 per cent of women and 54 per cent of the men approved.

Although registration of

has achieved the ranks of brigadier-general or admiral. The Pentagon reports that 233 have reached the rank of colonel or captain.

While the feminists have urged equality in the armed forces, the changes have, more than anything, been dictated by necessity. Since conscription ended in 1973, the Pentagon has found it expedient to use women to supplement the number of qualified volunteers.

Somewhat ahead of prevailing attitudes—even among women—the feminists have forced the opening of many occupations from which women were formerly excluded. In 1977, the Pentagon dissolved the Women's Army Corps and set up integrated basic training units. Men and women now fire M16s, throw grenades, drill and exercise side by side. Women are driving trucks, flying helicopters, performing maintenance services and guarding intercontinental ballistic missiles. Ten Air Force women are flying fighter trainer jets.

While women may now enrol for 95 per cent of specialist military occupations, they are not permitted to take combat posts. This may change. The Defence Department, which is looking into a redefinition of combat roles to widen opportunities for women, has asked Congress to drop the exclusion.

Many servicewomen are content with their roles in administration or support units, but others complain that it limits their career opportunities. The 5 per cent of the positions denied them represent 21 per cent of all jobs available in the peacetime armed forces.

Still, it is questionable that many women want combat duties. Their drop-out rate is high (40 per cent before finishing the first tour of duty, compared with 32 per cent for men), and it is highest among those doing non-traditional jobs.

Women are apparently dropping out, according to the Pentagon, for three main reasons: difficulty in adjusting to military life, a high pregnancy rate (14 per cent in the Army last year) and for other medical reasons.

The chances that the female volunteers will be joined by female draftees look slim. The Registration Bill is now in a House Armed Services Subcommittee, six of whose members have already said they oppose it.

Should Congress pass a Registration Bill excluding women, the American civil liberties union has vowed to bring suit. President Carter already possesses the authority, through executive order, to register men. That appears to be all he will get.



Army takes over in Surinam

By Charles Batchelor in Amsterdam

MEMBERS of the Army of the former Dutch colony of Surinam carried out a coup yesterday according to Dutch News Agency reports reaching the Netherlands.

A statement issued by soldiers calling themselves the National Military Council has appealed to all Surinamese citizens to prepare themselves for the social, economic and moral reconstruction of the country.

According to the Dutch reports about 300 members of the 800-strong Army of Surinam are supporting the coup.

They have taken over the army headquarters, the telegraph exchange and an ammunition store in Paramaribo, the capital. The police barracks was set on fire, shops plundered and offices, banks, factories and schools were closed, according to the reports.

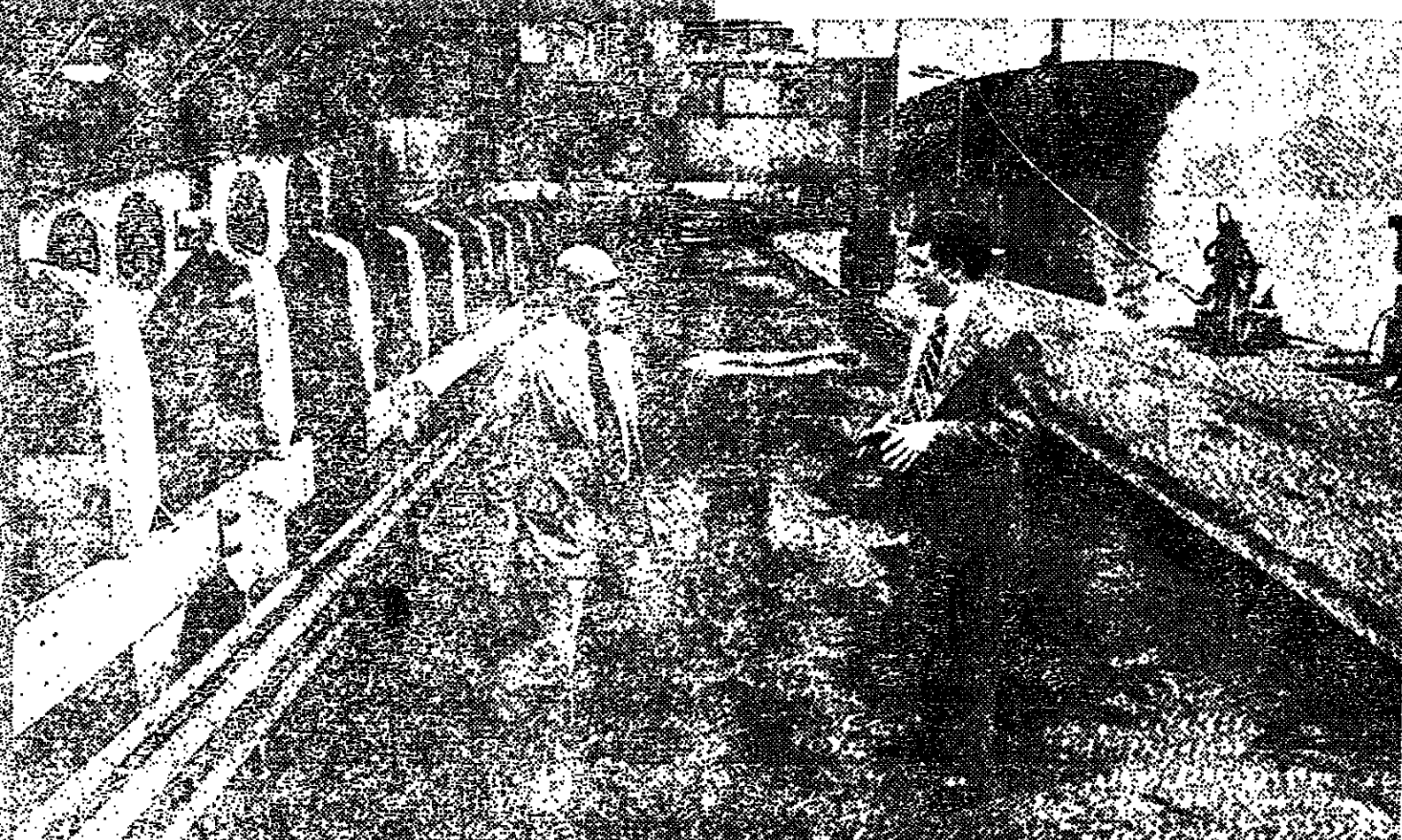
The new military council, under the leadership of two non-commissioned officers, said it was looking for Mr. Henk Aaron, the Prime Minister, who they held responsible for "the chaos" in the country, which gained independence in November, 1975.

Unrest has been growing in Surinam in recent days following the refusal of the authorities to recognise a soldiers' trade union and to reinstate dismissed members of the military.

The Dutch Foreign Office in The Hague said it had not yet received confirmation of the reports. An official said the ministry was concerned for the 4,000 Dutch citizens living in Surinam and information was being sought from the Dutch Ambassador.

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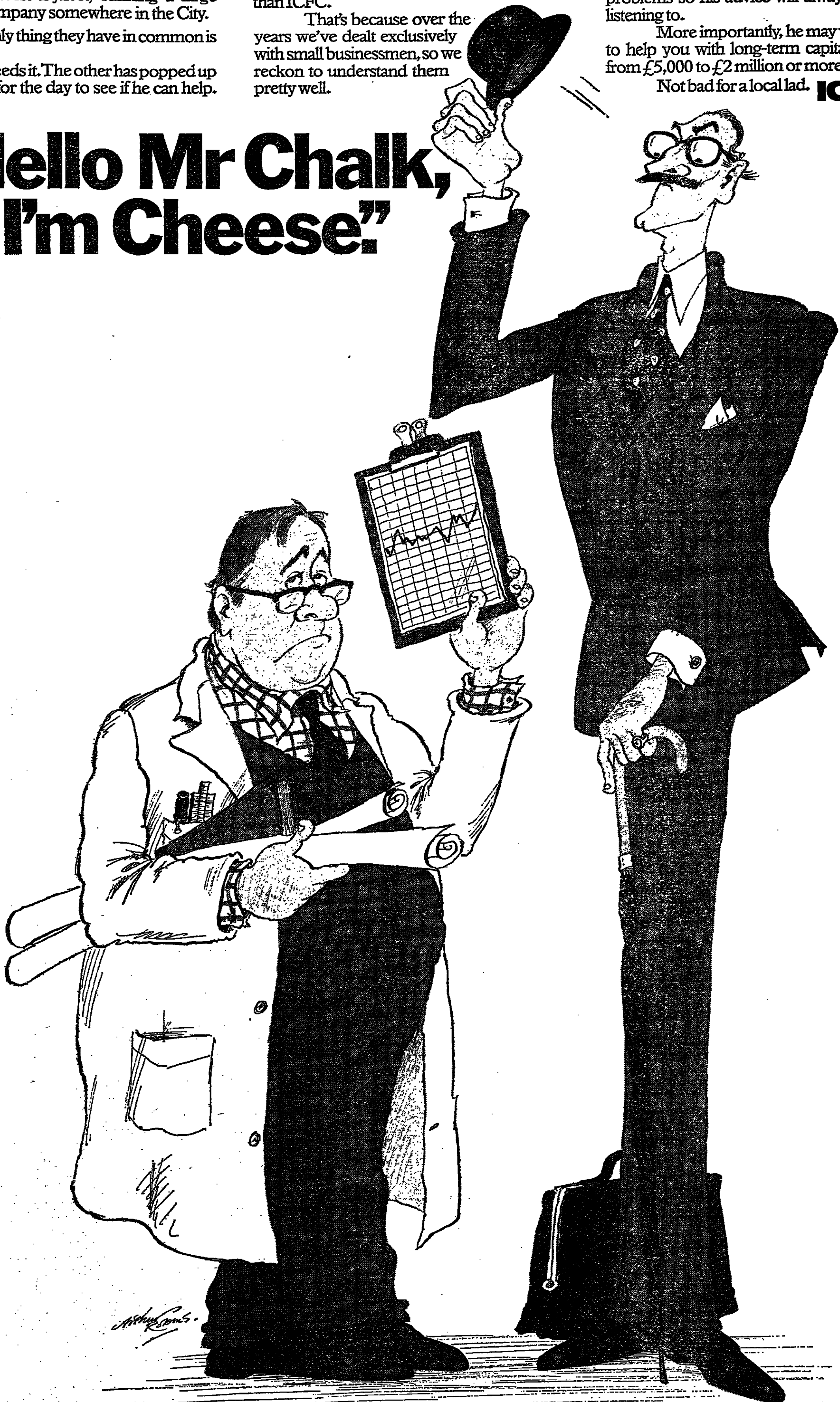
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OVERSEAS NEWS

Black Rhodesia goes to the polls

How the pattern of war may shape the peace

BY BRIDGET BLOOM IN SALISBURY

MAKONI DISTRICT has been in the thick of Rhodesia's civil war for the past three years. Mr. Robert Mugabe's guerrillas have fought their way through it, from north to south, extending their sway over their Shona-speaking compatriots to the point where there were virtual "no-go" areas for Rhodesian troops, in the north at least.

Makoni, 100 miles east of Salisbury and barely 50 miles from Umtali and the Mozambique border, is the administrative district. No one knows how many ordinary Africans have died there, nor how many have moved out of its five tribal trust lands, where most rural Africans live.

The District Commissioner's office in Rusape, the only town of any size, estimates that more than 50 per cent of the people in the Tenda tribal trust land have left in the past two years, often to seek refuge in the shanty towns of Salisbury.

Flying north from Rusape—still the safest way to go—yours leave behind the huge complex of Lonrho's Inyati copper mine (the only major mine in the area) and for 10 minutes see below the roofless barns and burnt-out houses of abandoned tobacco farms, eloquent testimony, as are the abandoned kraals in the tribal trust lands, of the ravages of war.

The European voters of Makoni district elected their Rhodesian Front member a fortnight ago, a result which could perhaps have been predicted. But what of this week's black election? There are no opinion polls here, nor even a voters' roll. The District Commissioner, from whose office the election is being organised, and from where David Bennett and Bert Hodge, the two British election supervisors allocated to the district also work, will not hazard a guess.

His figures for last April's "internal settlement" election show that of the 35,500 voters cast (thought to be a turnout of between 30 and 60 per cent),

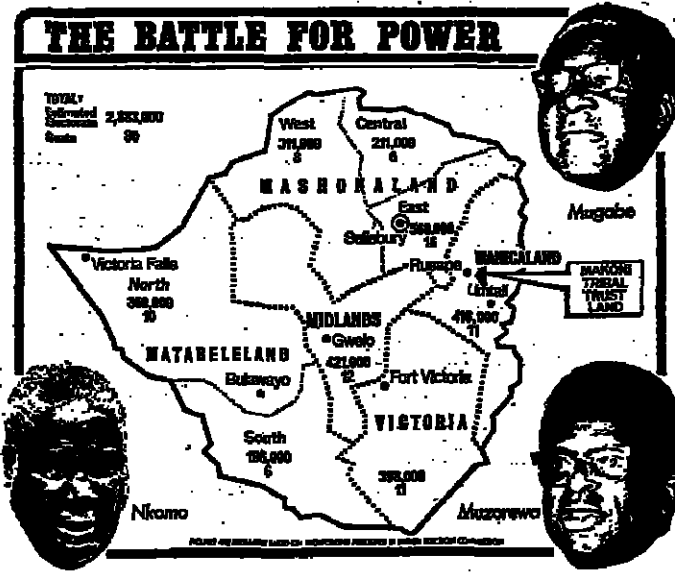
26,678 voted for Bishop Abel Muzorewa, with the Rev. Ndabaningi Sithole's party a very poor second. All agree that this time the battle will be between the Shona-based parties of the Bishop and of Mr. Mugabe, with Mr. Sithole again a poor third.

It is not thought that Mr. Nkomo's Patriotic Front, whose guerrillas have never operated from this area, will make much of a showing. In an effort to reinforce the secrecy of the vote, there will not be a count of the votes for each party in Makoni this time. Only the total number of votes for the district will be known, the party count being made for the whole constituency of Manicaland, of which Makoni forms part.

Probably the best guide to how people will vote is the pattern of the war. Although one brave shopkeeper in the Tenda tribal trust land declared she was for the Bishop's party, it would be surprising if the north was not solidly for Mr. Mugabe. In other tribal trust lands, in Makoni itself, for example, where the black security force auxiliaries have established a firm presence, the Muzorewa vote could be higher. The auxiliaries moved in six months ago. They have opened a couple of schools, they are repairing roads and bridges and dig. But they are also doing their best to keep Mr. Mugabe's men out.

They do not often succeed. A black agricultural extension officer, working with the District Commissioner's office, told me how he had to live near the auxiliaries' camp and had been unable to meet farmers and from where David Bennett and Bert Hodge, the two British election supervisors allocated to the district also work, will not hazard a guess.

His figures for last April's "internal settlement" election show that of the 35,500 voters cast (thought to be a turnout of between 30 and 60 per cent),



But if, in the tribal trust lands, there has been some rough and ready campaigning, in Vengere, the African township outside Rusape, it seems positively boisterous.

I went there at dusk late last week with David Bennett and Bert Hodge. In the muddy main street, with smoke rising blue against lowering clouds, we were greeted first by the red cardboard caps and black and white T-shirts of a group of young Patriotic Front supporters.

Fifty yards further on, 20 or so young ladies danced and sang the praises of Bishop Muzorewa, as sacks of mealie (maize) meal were being unloaded from a huge lorry (a "free gift" it later turned out, "for the poor").

Ten minutes later, and just round the corner, the Presbyterian church was filling up with Mr. Mugabe's supporters, working out plans for bussing people into his rally at Umtali at the weekend (when he did not turn up, apparently for security reasons).

Finally, a check on the beer hall revealed most of a group of 40 yellow T-shirted supporters of Mr. Sithole, who told us how they would spend the night in the Apostolic church before fanning out into the tribal trust lands to campaign the next morning.

Good nature and jollity seemed the order of the evening. Since the campaign began, there seems to have been only one last fight, on a Saturday night, between rival supporters.

I defy anyone to be categorical about the extent of voter intimidation in rural Rhodesia. Extremely nasty things are happening as part of the campaign or in the aftermath of it, like the rocket fired a fortnight ago into a bus of

wedding guests near Rusape, which killed 16 and injured many more. Most white Rhodesians blame that on Mr. Mugabe's guerrillas, although his party blames the Selous Scouts of the Rhodesian army.

A week ago, ten of his party officials were arrested on unspecified charges by the Special Branch. A stalwart lady from Bishop Muzorewa's office in Rusape charged that Mr. Mugabe's adherents are warring illiterate voters of "Comrade Ghost" who will be present with them in the polling booth—or of a special black box, which magically can tell them where the voter puts his cross, or even more seriously, that they will be killed if they do not vote for Mr. Mugabe's party.

This is not a free and fair election in the Western parliamentary sense, and no doubt Lord Carrington is ruing the day he allowed it to be thought that it could be—although it should be said that the mechanics of the election are a different matter.

One may pity the British bobby who arrived in Salisbury last weekend and who left Rusape yesterday in a mine-protected vehicle to get to Tenda in time to guard the polling booths when they open on Wednesday. But, technically, the arrangements are likely to leave little room for concern.

Travelling around rural Rhodesia now, one has the overwhelming feeling that what the ordinary rural African craves is peace. And as Bert Hodge put it, as we toured the remote Tenda tribal trust land: "The African people here seem a lot more sophisticated than most Rhodesians give them credit for. I get the feeling they'll vote the way they want to, despite everything."

Soviet Union confident of strong W. European ties

BY DAVID SATTER IN MOSCOW

THE SOVIET Communist Party newspaper Pravda said yesterday East-West trade is as important to the West as to the socialist bloc and expressed confidence that Western Europeans would not jeopardise economic ties to suit U.S. plans for "world domination".

The newspaper said that East-West trade in Europe is not a temporary phenomenon. There are 1,500 agreements on long-term industrial co-operation and turnover between the Comecon countries and Western Europe in 1978 reached \$50bn (£24.1bn).

Pravda said that orders from Comecon provided work for 24m Western European workers and this level of co-operation reflected "deep going trends in the present day international division of labour, the mutual character of scientific-technical progress and the long-term interests of the partners."

The newspaper said that Western European "business and political circles" met President Jimmy Carter's decision to impose trade sanctions against the Soviet Union with "undisguised alarm". Mr. Carter's actions, it said, "summoned panic on the stock exchanges."

Prospects for East-West trade in Europe were encouraging. Such trade could improve the fuel and energy balance for a number of countries at a time when energy is in short supply.

The potentialities of the USSR, for example, Poland are obvious. Oil and oil products, gas, coal, non-ferrous metals, chromium, manganese, diamonds, and similar products from the socialist states traditionally hold a considerable place in international trade.

A "common European infrastructure" is slowly taking shape and one of its elements is the

trans-European gas pipeline which carries large scale deliveries of Soviet natural gas to the Comecon countries in Eastern Europe and also to Italy, Austria, France and West Germany.

Pravda said the advantages of East-West trade in Europe are "one of the most important reserves of progress in the field of science and technology." The newspaper cautioned, however, that East-West trade is "by no means charitable activity" as the U.S. is trying to make Western European countries believe, but is mutually advantageous.

The Eastern Bloc, for its part, wants trade with the West, but does not rely on it. Imports from capitalist countries accounted for only 1.5 per cent of the national product of the Soviet Union and cannot affect the general economic progress of the country, the newspaper said.

UK, Saudis in joint freight deal

BY LYNTON McLAIN

THE International Express Company, one of Britain's major freight forwarders, has signed a joint venture agreement with Hajj Abdullah Alireza and Co. of Saudi Arabia.

The agreement calls for the formation of a joint company, Alireza International Express. This is to be owned 51 per cent by Hajj Abdullah Alireza, a Saudi commercial and industrial organisation, and 49 per cent by International Express.

The company will start with an initial capital of 1m Saudi riyals (£130,000). The object is to set up in Saudi Arabia a

comprehensive transport and freight forwarding operation to provide a door-to-door service for Saudi Arabia's expanding trade.

The head office is to be located in Jeddah and branches are planned for Dammam—to start at the end of next month—Riyadh and Yambo, the terminal for the trans-Arabian oil pipeline.

The Saudi Alireza group of companies is already involved in joint venture with Mobil Oil, John Laing and George Wimpey and Sumitomo Metals. It is also associated with Nippon Yusen

Kaisha, KLM Royal Dutch Airlines and other companies.

The International Express Company has an annual turnover of approximately £20m. It is expected to yield a gross profit of up to £4m this year based on operations from 20 sites in Britain, with a total staff of 400, including those at its headquarters at Brentwood, Essex.

The company already operates its own overland road and sea services to Turkey, Iran and Iraq. These operations will now be expanded into Saudi Arabia and other parts of the Gulf.

Rolls wins order for LPG motor

BY RHYS DAVID

THE SPECIALIST engine division of Rolls-Royce Motors in Crewe has won a £200,000 order from an Australian bus manufacturer for 100 specially designed vehicles. The completely re-designed version capable of running on gas, has been on trial in the UK with a number of passenger transport authorities, in brewery and refuse collection vehicles and other delivery vehicles.

The advantages claimed for the new engine over conventional engines include a major reduction in noise and vibration as a result of its smooth running characteristic. Other benefits include better acceleration and the almost complete elimi-

nation of hydrocarbons from the exhaust ignition and a reduction in the emission of oxides of nitrogen. For this reason the engine is particularly suitable for stop-start vehicles operating in heavily populated areas.

In Australia, Bosnjak is now about to start a national marketing campaign to promote the concept of the economical, quiet and clean buses using its new chassis and the Rolls-Royce engine. In Britain, Rolls-Royce has recently appointed LPG Truck Power from Bury St. Edmunds as its distributor for the engine.

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Israelis to produce new fighter

BY DAVID LENNON IN TEL AVIV

ISRAEL has decided to produce its own combat aircraft to serve until the end of the century. Mr. Mordechai Zippori, the deputy Minister of Defence, announced yesterday.

The Israelis have formally requested U.S. aid for production of the aircraft which it is hoped will be flying by the end of the decade.

The announcement by Mr. Zippori appears to end years of debate in Israel about whether to undertake such an ambitious programme or to settle for participation in the production of an aircraft to be purchased from the U.S.

Israel Aircraft Industries (IAI) already produces the Mach 2.2Kfir (Lion Cub) interceptor which is a derivative of the French Mirage aircraft.

powered by a U.S. General Electric J-79 engine.

The IAI has been striving for years to win Government backing for the development of the new Israeli aircraft, provisionally dubbed the Aryeh (Lion). The massive development costs, estimated variously at between \$750m and \$2bn, have aroused considerable domestic opposition, especially as there could be no guarantee that the end product would be up to the required standard. Each plane is expected to cost at least \$12m.

The school favouring maximum independence in weapons appears to have triumphed. Mr. Zippori said that the decision was influenced by Israel's past experience of friendships which have disappointed—"a clear reference to the French arms embargo of 1967 and

British export restrictions in 1972.

There have been discussions between Israel and the U.S. over many months about co-production of three possible models, the McDonnell Douglas FA-18, Northrop's planned F-16L, or an advanced model of General Dynamics' F-16.

The news now that Israel intends to build its own aircraft does not rule out co-operation with the U.S., which will remain essential. But it does mean that Jerusalem, rather than Washington, will be in control of the project.

Israel would have to buy the engines abroad, presumably from the U.S. This means that as with the Kfir, Washington would have an eventual veto on future sales of the Aryeh to other countries.

Iran's navy commander arrested

By Our Foreign Staff

THE COMMANDER of the Iranian navy, Admiral Mahmoud Alavi, has been arrested on unspecified charges, the official news agency announced yesterday. He was appointed last month in succession to Admiral Ahmed Madani, who resigned to campaign in the presidential elections.

The news agency said that the reason for the arrest which took place on Sunday through the office of the Army Revolutionary Prosecutor, would be announced after the completion of investigations. The charges would be made known at the same time.

In Tehran yesterday, President Abol Hassan Bani-Sadr attended an anti-American rally outside the U.S. embassy where 50 hostages are still being held. The rally was part of a nationalistic move to emphasise Iranian hostility towards foreign interference in its internal affairs.

It also served as an opportunity for the President to try to take over the leadership of the anti-American movement. It was the first time since his election that he had entered the U.S. embassy compound.

President Bani-Sadr's position appears also to have been strengthened by the resignation of two clerical members of the revolutionary council.

The two are Hossein Ali Khazenechi, who was Deputy Defence Minister, and Rezaei Hashem Rafsanjani, the de facto Interior Minister.

The five-man United Nations commission investigating the Shah's regime did little yesterday beyond meet an Iranian human rights lawyer.

New engine offered to 707 buyers

By Michael Donnan, Aerospace Correspondent

BOEING is now offering orders of 707 jet airliners the opportunity of re-engineering their aircraft with the new Franco-U.S. (Socma - General Electric) CFM-56 engine, which offers lower noise levels and better fuel consumption.

For several weeks, Boeing has been field-testing in Seattle a 707 fitted with four CFM-56s. These tests should be completed by mid-April, when Boeing will decide whether or not to proceed to full certification of the 707 with the CFM-56 engines.

That decision will depend upon the number of airlines showing interest in re-engineering their old 707s to get reduced pollutant emissions, lower noise and up to 14 per cent better fuel consumption than with the existing Pratt & Whitney JT-3D engines in several hundred 707-320B and 320C types of aircraft. Each CFM-56 has 24,000 pounds thrust.

Besides the new powerplant, re-engineing would need new nacelles and struts, with associated changes to the wings, flight deck instruments and control systems. The costs would be borne jointly by Boeing and CFM-International, the Franco-U.S. company building the CFM-56.

Boeing has been obliged to consider this re-engineing programme because of the success of the CFM-56 engine has already in older models of the McDonnell Douglas DC-8 jet airliner.

Six airlines, Capital, Delta, Flying Tigers, Spantax, Transamerica and United, have all decided to re-engine existing DC-8s in their fleets with the CFM-56, covering 87 aircraft. The ultimate potential is 333 aircraft, either Series 60 DC-8s or Series 50s.

The engine has also been selected by the U.S. Air Force to re-engine its KC-135 tanker-transport. Boeing, which builds that aircraft, has been awarded a preliminary \$13.65m contract to start a research and development programme on the CFM-56 in the KC-135.

It is considered certain that some users of Boeing 707s will want to take advantage of the availability of a new powerplant because it will be cheaper than buying entirely new aircraft.

Shipbuilding orders at 18-month high

BY WILLIAM HALL, SHIPPING CORRESPONDENT

WORLD shipbuilding orders have reached their highest level for 18 months, but the pace of new orders has started to tail off.

According to Fairplay's World Ships on Order, there were 2,233 vessels on order at the end of last month, totalling 60,83m dwt. This compares with 2,171 ships, totalling 57.4m dwt, at end October, and a low point in the world shipbuilding cycle of 51.5m dwt in April last year.

More than a third of the ships on order (23.0m dwt) are tankers and 30 per cent (18.3m dwt) are bulk carriers. Over the last three months the amount of new tanker tonnage ordered (3.2m dwt) has been the same as the previous quarter but the tonnage of new bulk carriers ordered fell.

Total tonnage ordered fell from 9.1m dwt in the three months ending October, 1979, to 8.5m dwt in the latest quarter.

The press will run up to a production speed of 1,600 feet per minute. It will be fitted with the G-16 combination double chopper folder to produce both quarter page and double parallel folds. Installation at Foote and Davies Atlanta plant is to begin in April.

Gumson's Sortex has received a firm order from General Mining of South Africa for a model RM-50 radiometric uranium sorting machine for installation at the Buffelsfontein Mine.

Korean currency to float in line with SDR

By Ron Richardson in Seoul

SOUTH KOREA's won, which has been pegged rigidly to the U.S. dollar for the past 30 years, is to be floated in line with the International Monetary Fund's special drawing right from tomorrow.

Although the full mechanics of the float have yet to be made public, it has been made clear that initially the exchange rate to the U.S. dollar will not be permitted to fall below the level of W580 established by the 16.55 per cent devaluation of the currency on January 12.

The link with the SDR is a temporary measure until a more complex joint SDR-trade-weighted currency basket formula has been worked out.

The Government's intention is to minimise the impact of fluctuations in the U.S. dollar.

Revived shekel receives pounding from investors

BY OUR TEL AVIV CORRESPONDENT

THE REPLACEMENT of the Israeli pound by the biblically named shekel over the weekend spell bad news for the Tel Aviv stock exchange, which experienced a selling wave as investors transferred their money into foreign currency and Government bonds.

The devaluation of the Israeli currency has accelerated with the commercial banks selling the dollar for 1440.20 yesterday (4.2 shekels), compared to 1239.02 (39 shekels) on Friday.

The decline would have been even greater if the Bank of Israel had not taken the unusual step of moving in on Sunday to ease the pressure. Sunday's stock exchange trading was one of the heaviest sessions on record and share

prices were badly mauled. Some 88 issues were established as sellers only and automatically lowered by 5 per cent without any trading taking place. The index-linked Government bond market gained from this yesterday, rising 2 or 3 per cent.

L. Daniel in Jerusalem writes: Mr. Yigael Hurvitz, the Finance Minister, told the Knesset yesterday that a drastic reduction in the inflation rate, increased exports and a cut in imports were the main tasks facing Israel. He presented a 1980-81 (£7,400m) budget for 1980-81 which has slashed social services expenditure and cut back sharply on subsidies, paving the way for a wave of price increases in coming months.

Although they have been imposed theoretically the charges have not been levied because of resistance by farmers.

Another condition of the World Bank loan is that charges on all other state irrigation schemes should be studied and if necessary amended.

As a result of an IMF agreement last May, Sudan is getting substantial amounts of programme aid from other countries including Saudi Arabia which has promised \$100m this year. The U.S. is to provide \$40m in programme aid and another \$25m in PL480 wheat supplies. West Germany has agreed to provide DM 40m.

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World Bank ready for \$65m loan to Sudan

BY JAMES BUXTON

SUDAN and the World Bank are close to agreement on a \$65m credit to help revive the country's agricultural production. The loan will be used to import machinery, spare parts, fertiliser and other goods.

World Bank loans are normally tied to specific projects. In this case however the International Development Agency, a World Bank affiliate, is to provide urgently needed foreign exchange in the form of a fast disbursing programme loan at an interest rate of only 0.75 per cent.

A Sudanese team led by the Minister of Agriculture has talks in Washington recently with the bank and the Agriculture Rehabilitation Programme Credit, as it

is called, now requires only the final approval of the Sudanese Government and that of the World Bank's board.

The European Community was to have contributed \$22m to the credit but is now making this sum available for other World Bank programmes.

Many of Sudan's problems with low or declining output from existing irrigated schemes, such as the large Gezira scheme, the Rahad scheme and a number of pump schemes on the White Nile, stem from shortage of foreign exchange to import spare parts for machinery and fertilisers.

As a result pumps have broken down, canals have become silted up, farm machinery has been un-

serviceable at crucial times and there have not been enough essential fertilisers and pesticides.

A key condition of the World Bank credit is that the Sudanese Government should levy charges for land and water used for growing crops other than cotton on the Gezira scheme. Because charges are at present only levied on cotton farmers dislike growing this export crop and prefer growing wheat and groundnuts, mainly for local consumption.

The water charges are part of an agreement with the International Monetary Fund under which Sudan is receiving SDRs 200m over a three-year period.

U.S. China mission hopes for low tax rate

By David Buchan in Washington

THE PEKING Government intends to levy relatively low taxes on foreign company operations to encourage investment in China, according to a U.S. Chamber of Commerce delegation just returned from there.

Chinese officials are at present trying to work out an appropriate corporate tax rate, below Western levels, and Mr. John Caldwell, vice-president of the U.S. Chamber, said they had suggested a rate of around 24 per cent. The Chinese, however, expressed surprise when the U.S. delegation informed them that while the top business tax rate in the U.S. might be 46 per cent, the average was closer to 30 per cent.

Mr. Caldwell, who toured China with the delegation earlier this month, said last week he hoped Peking would now scale down its proposed levy.

This was an issue which an American Chamber of Commerce in Peking could take up with Chinese authorities. But Mr. Caldwell found the Chinese highly ambivalent about the creation of such an organisation because it would give U.S. businessmen in the Chinese capital "a focal point to complain."

The U.S. delegation found their colleagues in Peking still had plenty to complain about, with the Peking Hotel "a ghetto for transient businessmen" who operated out of Hong Kong, long delays in telegrams, and no start yet on the proposed permanent foreign trade centre in Peking because the Chinese authorities wanted it all paid for, cash in advance.

Apart from this, Peking's "red carpet" was rolled out for the U.S. delegation, the first to visit China since the U.S.-China trade agreement was finally ratified at the start of this year. Still incomplete negotiations for the resumption of export credit from the U.S. Export-Import Bank, but U.S. officials found the Chinese unworried by this, because they had not worked out how much finance they might need yet.

Baker Perkins press order

Financial Times Reporter

BAKER PERKINS of Peterborough has won a £125m order from Foote and Davies of the U.S. to supply a four-unit, G-16 blanket to blanket Webb offset press.

The press will run up to a production speed of 1,600 feet per minute. It will be fitted with the G-16 combination double chopper folder to produce both quarter page and double parallel folds. Installation at Foote and Davies Atlanta plant is to begin in April.

Gumson's Sortex has received a firm order from General Mining of South Africa for a model RM-50 radiometric uranium sorting machine for installation at the Buffelsfontein Mine.

Jimmy Burns reports on Lisbon's effort to secure oil Portugal woos the Arabs

PORTUGAL has launched a major initiative aimed at improving its trade links with Arab oil producers.

Significantly one of the first acts of the centre-right Government since taking office last month has been to create a diplomatic post for co-ordinating and developing political and trade contacts with oil-producing countries. The post has been given to Sr. Pedro Pires de Miranda, a member of the Board of Portugal, the Portuguese State oil company, and former head of Portugal's main EEC negotiating body, the Commission for European Integration.

Sr. Miranda wasted little time in his new job with visits to Iran, Iraq, Abu Dhabi and Saudi Arabia.

The initiative received a new boost with the arrival in Lisbon yesterday of Mr. Nasser al Manqour, Saudi Arabia's ambassador to Spain. He was to meet with Sr. Miranda as well as Sr. Antonio da Silva, Portugal's State Secretary for Energy, and other high-ranking officials. Portugal does not have diplomatic relations with Saudi Arabia.

The Portuguese authorities are concerned that a lack of formal diplomatic links with many Arab oil producers is contributing to the current uncertainty over supplies for 1980. Portugal is also seeking ways of bolstering exports so as to offset the expected \$1.2bn rise in its bill for oil imports this year.

Portugal has been trying to offset the negative impact of the Iranian crisis and the reluctance of some countries to renew their contracts without considerable price increases.

The aim has been to diversify sources of supply and extend present arrangements on the most favourable terms possible.

Portugal will have to import 9m tonnes of oil in 1980 to satisfy internal consumption and maintain its refineries at present production levels. Last month, the USSR, which in 1979 was one of Portugal's biggest suppliers, announced it was cutting its oil supplies by nearly half from 850,000 tonnes to 450,000 tonnes.

At the same time, Saudi Arabia and Iraq, who last year accounted for more than 50 per cent of Portugal's oil needs, are believed to have agreed to sell additional crude only at hugely elevated prices, which the Portuguese regard as unacceptable.

As matters stand, Portuguese officials have limited that unless a favourable agreement is reached with one or both of these countries an alternative may have to be considered in the near future, such as the purchase of refined crude on the Rotterdam market and a reduction of production at Portugal's main refinery at Sines, currently operating at 60 per cent capacity. The view is that this option, though drastic, could be more economical than bridging any shortfall through crude purchases on the expensive spot market.

Nevertheless officials here estimate that they still have some three to four months left in which to manoeuvre and are confident that prices, whether official or spot, could well level off for Portugal during this period. Despite this "wait and see" attitude, Portugal earlier this month stepped up the pace

of its negotiations with Arab oil producers.

In an apparent strategic response to its current difficulties Petrogal has taken the unprecedented step here of clamping down on information regarding oil supplies. However, Portugal's energy board, the Direcção Geral de Energia, has released provisional figures showing that these four countries were respectively responsible for 20.6 per cent, 38.3 per cent, 3.9 per cent, and 24.1 per cent of Portugal's total oil imports in the first nine months of 1979. Significantly, Portugal so far has been unable to offset the accelerating cost of oil imports and is facing a considerable trade deficit with these countries.

Trade figures for the period 1973-78—the most recent figures available—reflect the extent to which the trade gap has widened.

For instance Portugal's trade deficit with Saudi Arabia during this period increased from £1.4bn to

ARTHUR SMITH INVESTIGATES THE PROBLEMS OF THE FOOTWEAR INDUSTRY

Shoe manufacturers are feeling the pinch

FOOTWEAR manufacturers are only the latest of a series of industries to warn the Government that the present monetary policy of high interest rates and a strong pound could erode the nation's manufacturing base.

The Footwear Manufacturers' Federation, which already has more than 10,000 of its 73,000 employees on short time, has warned of "the enormous handicap" placed upon industry and the labour-intensive sectors in particular.

"Industrial output is quite literally being run down, as North Sea output is being built up under present Government policies," the federation says.

For an industry already under threat from imports, the strong pound presents more difficulties by giving foreign manufacturers in difficult world markets yet another incentive to concentrate upon the UK.

Imports in 1979 rose to a record 45.5 per cent share of the UK market, and pushed domestic production down to only 150m pairs, compared with around 200m pairs ten years earlier.

The problems this year are only too apparent with the UK market expected to fall as a result of the country's economic problems and the consequent drop in consumer spending.

Imports, in the absence of quick Government action, are expected to keep rising and domestic production could fall

to little more than 140m pairs. Manufacturers point out that once capacity is lost, it will be the importers who benefit when the domestic market improves.

Prosperity

The implications for employment are serious. More than 800 redundancies have already been declared this year, and the total is expected to rise to at least 1,200 by the end of March. With short-time working now prevalent, the threat to jobs is clear.

The present downturn for the footwear industry is the more dramatic because of the recovery over the past two years. The crisis confronting the industry in the last downturn, in 1974, prompted the Labour Government to set up an inquiry, which led to the formation of the present "little neddy". The body is unique in that the retailers are represented, as well as manufacturers and trade unions. The retailers and distributors, of which British Shoe Corporation is by far the biggest, are thought to have an important influence upon the manufacturers.

Investment stimulated by a Government aid scheme coupled with near-record sales of footwear led to a period of prosperity, involving extensive overtime working.

Last year's pre-budget spending spree gave another lift, but by late autumn it became clear that the market was on the turn.



Making footwear at Rushden, Northants.

The increased rate of Value Added Tax and the rapid rise in the price of leather took its toll on sales. Unexpectedly mild weather has hit winter demand and left many distributors overstocked.

Given current interest rates and the extent of economic uncertainty, retailers are likely to keep stocks to the minimum and order mainly for the short term.

The UK industry, which over the past decade and more has become used to the threat posed by cheap imports from

the developing countries, has responded well over the past 18 months by moving up-market into quality shoes, where its strength is greatest.

But it is in that up-market area that the competition has become greatest, either because of unfair pricing, as is alleged against Brazil, or because of the appreciation of sterling.

The 1980 report of the economic development committee for the footwear industry, published yesterday, points out the dramatic growth in sales by quality manufacturers.

such as Italy, France, Spain, Portugal and Brazil. Those five countries alone accounted for 60 per cent of all imports by value in 1979.

And the trend continued last year, with Italy increasing its sales value by 20 per cent, France by 23, Spain by 20, Portugal by 42, and Brazil by 120 per cent.

It is against the background of such statistics that the manufacturers are warning the Government about the handicap posed by a pound whose value is "completely unrealistic".

Appeals have already been lodged with the Department of Trade for import restrictions against Brazil, Czechoslovakia and Poland, countries where pricing is alleged to be unfair.

In the case of the two Commonwealth countries, where voluntary restraint is already imposed, the Federation complains that Poland and Czechoslovakia copy British designs and sell shoes at cut prices, which disrupts the whole market for certain types of product.

The Federation is also preparing cases against imports from Portugal and Spain.

But the basic grievance of the industry is articulated by the "little neddy" report published yesterday. It complains: "Conditions in international markets are seriously distorted by protectionism. More than 75 per cent of the world's footwear producing nations operate behind significant tariff and/or non-tariff barriers, and the industry is, therefore, prevented from attaining a level of performance which would accord with its true competitive position."

The committee draws particular attention to the tariff increases imposed recently by Australia, the introduction of import licensing by Canada, and the sudden complete closure of the Nigerian market.

Strong recovery seen for 1982

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BRITAIN FACES a sharp but short recession followed by a strong recovery in 1982, Economic Models, the London-based international forecasting group, says in its latest medium-term analysis published today.

The group expects a 2 per cent drop in total output, measured by real Gross Domestic Product, this year compared with 1979. In this it is in line with many other forecasters.

However, a recovery should begin next year with a rise in output of 1.4 per cent, followed by growth of 3.2 per cent in 1982.

'Strong investment'

Economic Models said expansion in 1982 will be caused by strong investment as interest rates decline and profits rise. Exports growth should also increase, helped by the expansion in world trade and a falling pound. Consumer spending should rise in response to a decline in the rate of price inflation.

The group is not as pessimistic about inflation as some other forecasters, and this accounts for most of its less gloomy view about the overall medium-term outlook.

The annual average rate of consumer price inflation is ex-

pected to peak this year at 17.3 per cent. It is expected then to decline over the next three years, from 14.4 per cent, through 11.3 per cent, to 10.5 per cent in 1983.

This reflects the assumption of a slower rate of import prices and also a moderation in the rate of increase of import prices.

Unemployment is expected to continue rising, because high labour-supply growth will not be matched by rising employment. However, the recovery of 1981-82 should mean that the 2m unemployment level will not be reached until 1984.

Economic Models said the problem is that demographic trends will ensure a growth of the labour supply which could not be matched even by the most optimistic assumptions about rising employment.

The group described the problem as structural, and said part of the answer could be more efficient retraining and higher labour mobility.

Contest record

A RECORD total of 771 entries has been received for the beer and lager competitions to be held at the International Brewing, Bottling and Allied Trades Exhibition in Birmingham next month.

No sale for Meccano

HOPES FOR the sale of the Meccano factory in Liverpool were dashed yesterday.

An offer for the plant had been made to Mr. Ralph Ehrmann, chairman of Airfix Industries, which owns Meccano, by Mr. Neil Gough, a Canadian businessman acting on behalf of an unnamed Canadian investment group.

Mr. Gough visited the Meccano factory on Friday when he held discussions with the unions.

Airfix said yesterday that it

had not reached agreement with Mr. Gough on the sale of the factory and the Canadian offer had been withdrawn.

Mr. Ehrmann said "I am sorry that we have not been able to reach an agreement but the stock alone is worth considerably more than the total sum I was offered."

Workers at the Liverpool factory are still holding a sit-in with only a few days left before their 90 days' redundancy notice expires on February 28.

Price of Lada cars to rise

THE PRICE of Russian-built Lada cars is to rise by an average of 6.8 per cent on March 1, the first increase for more than six months.

The cheapest saloon, the Lada 1200, goes up from £2,280 to £2,460 while at the top end of the range the Lada 1800 ES saloon will rise by £149 to £3,399. The four-wheel-drive

Niva goes up from £4,273 to £4,570.

Lada's on-the-road price supplement, covering number plate, delivery charge and a year's road tax, remains unchanged at £131.

Lada is also introducing to the UK a low-priced version of the Lada 1300 saloon to replace the more luxurious ES model.

CONTRACTS

£1m diving suits for the Services

A zip entry dry diving suit developed by Avon Industrial Polymers (Melksham) has been selected by the Ministry of Defence (Navy) to meet its total operational requirements for up to three years. The order, which could ultimately be worth more than £1m, covers supply during 1980 plus an option for the following two years. The suits, which have a special across-the-shoulders zip entry instead of the traditional neck entry point, will be used by the Royal Navy, the Royal Marines and the Royal Engineers. The year's requirement is for 2,500 suits and similar numbers may be needed in 1981 and 1982.

Garwick-based Air Europe has awarded a £1m contract to a DAN-AIR ENGINEERING for long-term maintenance support for two new Boeing 737-200 jets due to be delivered to the airline in March, 1980. The contract starts on April 1 when Dan-Air Engineering will provide base maintenance and support for Air Europe at its engineering base in Lasham, Hampshire and line maintenance in Manchester, from where the airline also operates regular services.

GEC TELECOMMUNICATIONS has received £700,000 orders from the Post Office for digital multiplex equipment for telecommunications transmission.

* CRYOPLANTS, Edmonton, North London, has received a £2m order from Consolidated Industrial Gases Incorporated (CIGI), in the Philippines for a 75 tons/day oxygen plant and a 350 tons/day nitrogen liquefier. The plants are to be installed at Laguna, south of Manila, and are scheduled to come into operation in 1981.

* The Metropolitan Borough Councils of Bolton and Bury have placed an order worth about £700,000 with ICL for a computer system to be installed in the fourth quarter of 1980. The two neighbouring authorities operate a joint computer unit.

* CROW OF READING has been awarded a £643,000 contract by Renetel (The Kenya External Telecommunications Company) for two broadcast television switching control centres. The contract covers the design, installation and commissioning of these centres, and supply of the switching, monitoring and signal processing equipment used.

* One of the most ambitious distributed processing systems to be installed in the UK is now being implemented by DATA LOGIC for Express Dairy Foods under a turnkey contract worth almost £560,000. It incorporates a total

of 27 computers situated throughout the country. The system, which will serve 13 factories and 27 distribution depots, is based on 11 Data General Nova 3 and 16 Data General Nova 4 minicomputers, with a large number of visual display terminals and printers.

* REDIFON TELECOMMUNICATIONS has received an order from the MOD (PE) to supply Sealand 66 radio telephones worth nearly £250,000 to the Royal Navy. They will be fitted on a variety of surface craft and will ensure that naval vessels have a full communications capability enabling them to maintain direct contact with merchant or fishing vessels, tugs, coast stations and harbour authorities on the international VHF marine band.

* West Sussex county council has awarded a £224,000 contract to SOUTHERN COUNTIES CONSTRUCTION to build a reinforced concrete box underpass under the new A24 Southwater bypass. The 33-metre long underpass, is 4.5m x 5.5m internally and together with 1,000 metres of 4-metre wide metalled road, will provide access to Stakers Farm and the Southern Water Authority's new sewage works, where the proposed new by-pass crosses the line of a disused railway.

* A contract worth nearly £200,000 for mobile radio equipment has been awarded to PYE TELECOMMUNICATIONS by Strathclyde Police. The order includes more than 400 portable two-way radios and a number of "Olympic" mobile units to be vehicle-mounted.

* Rolls-Royce Motors has placed an order worth £200,000 with AIR INDUSTRIAL DEVELOPMENTS for eight new low-bake paint spraybooths. Of the eight booths being supplied, four have integral side ovens for paint drying, three are combined drying and ovens, permitting the drying operation to be performed without moving the vehicle and one is an in-line booth with oven. All are gas-fired and approved by the Health and Safety Executive.

Orders for COMPUTER MACHINERY COMPANY'S Reality Royale mini-computer/management information systems from four District Councils in Devon total £529,000. Currently the four (Mid-Devon, North Devon, East Devon and Teignbridge) are using, together with several other organisations, main-frame computers in Exeter, Torbay and Plymouth. Now each will have a machine dedicated to one District Council's work. Terminals linked to the mini-computers can be distributed among local offices in the district.

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TWA

Government plans aid for Coal Board

BY MARTIN DICKSON, ENERGY CORRESPONDENT

FINANCIAL assistance for the National Coal Board, including relief on its heavy interest burden, is expected to be announced by the Government in the next few weeks.

A Bill in the pipeline which would defer payment of much of the interest due on capital the NCB has borrowed from the Government.

It would provide additional financial incentives for miners to move from exhausted pits to new ones.

The NCB is investing £500m a year in development of new coalfields, such as Selby in North Yorkshire, and modernisation.

While these investments have not yet paid off in improved profit margins, the NCB faces a high and rapidly increasing

burden of interest payments to Government.

It paid out £158m in the 1978-79 financial year. The figure is expected to top £200m this year.

The Government has been deferring some interest payments, but these have been relatively small sums—£14.4m in 1979.

The new Bill is expected to allow for a major expansion of this relief, at the discretion of the Government, possibly to the point where the NCB will not start carrying the full rate of interest on loans until the projects are completed.

The Government has apparently rejected a proposal by the NCB for a new method of funding public dividend capital. This is public money which

differs from loans in being repayable by negotiation between Government and industry, rather than in fixed annual amounts.

Deferring of interest payments could work in a similar way to public dividend capital.

The Government expects the NCB to adopt a tough approach to the controversial question of closing old pits which have heavy losses. The Coal Board often faces strong opposition in such cases from miners' unions.

It is hoped to encourage a smoother flow of labour from old pits to long-life ones by providing greater removal grants to miners.

The Bill may make provision for a boost to the NCB's relatively modest redundancy payments.



The new Archbishop of Canterbury, Dr. Robert Runcie, on the steps of St. Paul's Cathedral in London after his consecration as the 102nd archbishop and Primate of All England.

Builders must pay large costs bill

TAYLOR WOODROW Anglian, building contractors, must pay two-thirds of the legal costs over the Roman Point tower block disaster 12 years ago, a High Court judge ruled yesterday.

The case, estimated to have cost at least £250,000, was one of the most expensive High Court actions in recent years.

Last December, after a 41-day hearing, Mr. Justice O'Connor ruled that Taylor Woodrow were in breach of contract and that the London Borough of Newham was entitled to recover from the company part of the cost of repairing the damage to Roman Point.

Part of the 22-storey building collapsed after a gas explosion in a flat in May, 1968.

Government 'should allow intervention'

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A CALL for the Government not to oppose intervention in industry and accept the need for a direct involvement in the development of new technologies was issued last night by Mr. Geoffrey Chandler, director general of the National Economic Development Office.

He told the Glasgow Chamber of Commerce that the Government should develop a "more positive industrial policy" and introduce legislation laying down minimum standards for employee consultation.

This is the third time in five months that Mr. Chandler has criticised the Government's non-interventionist policies and, especially those of Sir Keith Joseph, Industry Secretary.

Ministers have noted his speeches in the past but have not responded with him backed him.

The role of Government—particularly at a time of recession—should be central to the creation of a better industrial capability. Overseas competitors offered more "cohesive

support to industrial activity" in their countries, said Mr. Chandler.

"In the application of new technology, and the development of a UK supplying capability, the right decisions will, in the end, be made by companies and individuals, not by governments or committees. But both the direction of these decisions and the chance of their success can be influenced and assisted by government."

An industrial policy should include support for research, development and training. This would require a judgment about those areas of new technology where the UK could not afford to lag behind, such as automation, robotics, information systems and micro-technology.

There was also a need for a more effective use of public procurement, said Mr. Chandler, referring to an area of Government intervention of which Sir Keith is in favour.

Sasse fails in early action bid

By John Moore

AN APPLICATION by 38 members of the stricken Sasse underwriting syndicate to have preliminary issues of their action against Lloyd's of London tried at an early date failed yesterday after lawyers representing both sides met in chambers before Mr. Justice Mustill.

The earliest date for a full trial is January 23, 1981.

The 38 members of the 110-strong syndicate suing Lloyd's and a number of underwriting agents are disputing their liabilities on a large part of the £90.2m losses that have fallen on the syndicate.

Lloyd's lawyers said yesterday that the way the preliminary issues had been defined by the syndicate meant that they could not succeed in their claim.

COMPANY NOTICES

IMPORTANT NOTICE

To the holders of European Depositary Receipts for Common Stock of Trio Kenwood Corporation

Chemical Bank as Depositary (the "Depositary") hereby gives notice that under section 3.02 of the Deposit Agreement dated 1st May, 1979, among Trio Kenwood Corporation (formerly Trio Electronics Inc., hereinafter called the "Company") the Depositary and the holders of the Receipts, the Depositary is required to issue shares of common stock, par value \$5.00 per share of the company that the company has decided to terminate the deposit agreement.

In accordance with the Clause 3.02 of the Receipts, the holders of the Receipts are requested to submit all outstanding Receipts to the Depositary or any of the sub-depositaries named below for cancellation and exchange into common stock of the company on or before the date specified below.

The depositary has fixed April 1st, 1982, as the date when remaining outstanding Receipts will be sold. All E.D.R.s subsequently issued will be eligible only for a cash payment.

The E.D.R.s will remain listed on the Luxembourg Stock Exchange until 31st March, 1982.

Sub-depositaries: Chemical Bank, Frankfurt/Main Germany; Banque Internationale à Luxembourg, Luxembourg; Pison, Holding & Pison, Amsterdam, The Netherlands.

CHEMICAL BANK, as Depositary.

180, Strand, London, W.C.2, England.

25th February, 1980.

THE GREAT NORTHERN TELEGRAPH COMPANY LIMITED

AND

THE GREAT NORTHERN TELEGRAPH COMPANY'S HOLDING COMPANY LIMITED

Hambros Bank Limited announces that the Temporary Certificate issued by them on behalf of the above companies may be exchanged for definitive Certificates from today until 25th March 1980.

Holders of Temporary Certificates should apply to Hambros Bank Limited, Stock Office Counter, 41 Bishopsgate, London EC2P 2AA for the appropriate Listing Form which must be lodged daily completed with Hambros Bank Limited between the above dates accompanied by the Temporary Certificate.

THE "SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that a balance of the Register will be struck on Tuesday, 26th March, 1980, and any shares or debentures of the company payable on the first anniversary of the date of issue of the Register, ending 21st March, 1980, will be paid on the day of the striking of the Register. For transfers to be valid, the transfer must be lodged with the company's Registrar, Department, Gresham Street, London, EC2A 3PU, on Tuesday, 26th March, 1980, by Order of the Board.

G. J. O'KELL, Secretary.

Shell Centre, London SE1 7NA, England.

THE TOR INVESTMENT TRUST LIMITED

NOTICE IS HEREBY GIVEN that the REGISTER of the Preference Shares and Ordinary Shares, will be struck on 7th March, 1980, and any shares or debentures of the company payable on the first anniversary of the date of issue of the Register, ending 21st March, 1980, will be paid on the day of the striking of the Register.

T. TODD, Secretary.

HIGGONS BREWERY LIMITED

NOTICE IS HEREBY GIVEN that payment of the interest in respect of the 6% £100,000 Debentures, dated 1st April, 1978, will be made to those debenture holders who have lodged their debentures with the company on or before the date specified below.

The debentures will be paid on the day of the striking of the Register, ending 21st March, 1980, by Order of the Board.

127, Dale Street, Liverpool, L1 1, England.

25th February, 1980.

LEGAL NOTICES

PREVENTION OF FRAUD (INVESTMENTS) ACT 1968

NOTICE IS HEREBY GIVEN that:

1. Continental Illinois Limited of Continental Bank House, 165, Queen Victoria Street, London, EC4V 4BS has relinquished the Principal's licence issued pursuant to Section 2 of the Act, having been declared an exempted dealer under Section 16.
2. Continental Illinois Limited has made application to the Department of Trade pursuant to Regulation 5 of the Prevention of Fraud (Investments) Regulations, 1968 (S.I. 1968 No. 541) for the release of the £500 deposited in pursuance of Section 4 of the Act.
3. Any persons having a claim on the funds representing the deposit should send their names and addresses and details of their claims to the Assistant Secretary, Companies Division, Department of Trade, Sanctuary Buildings, Great Smith Street, London SW1, not later than the 12th day of March, 1980.

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Donations and information: Major The Earl of Ancaster, KCVO, TD., Midland Bank Limited, 60 West Smithfield, London EC1A 9DX.

BP ranks third in that market and is likely to be hit harder than Shell by Kuwait's planned cutback.

BP ranks third in that market and is likely to be hit harder than Shell by Kuwait's planned cutback, Kuwait accounting for some 15 per cent of BP's worldwide crude liftings compared to about 10 per cent of most of Shell's total supplies.

Kuwait intends to cut its crude production rate by 25 per cent, reducing it from 2m b/d to 1.5m b/d. The brunt of the reduction will be borne by Shell, BP and Gulf.

The cutback in supplies should mean that UK motorists can expect another rise in the cost of their petrol.

For companies like BP, Shell and Gulf will be forced to make up the shortfall by buying extra crude on the high-priced spot market. For example, Kuwait's current contract price for crude is \$27.50 a barrel, while on the spot market the same oil is being sold for about \$35 a barrel.

Keep status quo, says Borders

Financial Times Reporter

REPRESENTATIONS are being made to the Government requesting continuation of development area status for Scotland's Borders region.

The local authority is also to ask that machinery grants be maintained to keep existing industry competitive. This applies particularly to textiles, electronics, and fish and food processing.

Mr. David Douglas, director of Physical Planning and Development, said the Government's regional development strategy was to concentrate solely on areas of high unemployment and urban deprivation to the exclusion of others.

"In the past, rural depopulation has been recognised as a similarly grave problem which must be resolved," Mr. Douglas said.

"The withdrawal of development area status is yet another action which discriminates against rural areas, such as the Borders."

It does not recognise the major problem of rural deprivation, which inevitably leads to depopulation, the demise of villages and a further weakening of the whole socio-economic structure.

BSR lays off 1,200 workers

By Elaine Williams

BSR, the UK record-player company, is retrenching 1,200 workers (300 permanent, the rest part-timers) because of falling sales.

BSR's 8,000 employees have been on short-time for a year.

A fall in sales to the U.S., which accounts for 70 per cent of BSR's production, caused the company's problems.

More than half the redundancies will be at BSR's Stourbridge plant, the rest from four factories in the West Midlands. However, a four-day week will be worked after the redundancies, because the U.S. market shows no signs of improving.

NEWS ANALYSIS - PETROL PRICES

'Sloppy' market till autumn

BY SUE CAMERON

PRESSURE TO INCREASE petrol prices in the UK because of Kuwait's decision to cut oil supplies to Shell, British Petroleum and Gulf is likely to be offset by other factors.

Shell, one of the two leaders in the UK petrol market, obtains about 40 per cent of its British crude oil requirements from Kuwait.

BP ranks third in that market and is likely to be hit harder than Shell by Kuwait's planned cutback, Kuwait accounting for some 15 per cent of BP's worldwide crude liftings compared to about 10 per cent of most of Shell's total supplies.

Kuwait intends to cut its crude production rate by 25 per cent, reducing it from 2m b/d to 1.5m b/d. The brunt of the reduction will be borne by Shell, BP and Gulf.

The cutback in supplies should mean that UK motorists can expect another rise in the cost of their petrol.

For companies like BP, Shell and Gulf will be forced to make up the shortfall by buying extra crude on the high-priced spot market. For example, Kuwait's current contract price for crude is \$27.50 a barrel, while on the spot market the same oil is being sold for about \$35 a barrel.

Yet the beginnings of the recession in Europe and the mid-east of the current winter have resulted in an abundance of petrol now in the UK. As a result a small-scale price war is starting in some areas.

The oil companies are constrained from making the obvious move of reducing supplies to the UK petrol market. This would enable them to head off a price war at the pumps while at the same time easing pressure on their crude supplies.

However, refineries can only produce a mix of oil products, including fuel-oil, heating-oil, aviation fuel and diesel-oil, as well as petrol. The oil majors could only reduce the amount of petrol they made if they also cut production of other oil products. The need to build up stocks for next winter precludes that action.

Another factor working in favour of UK motorists is the time it takes for a cutback in crude production in the Middle East to be felt in North-West Europe.

Kuwait does not plan to reduce oil production until the beginning of April. A tanker voyage from Kuwait to Britain usually takes about 35 days and UK refineries usually have between 70 and 80 days' of oil stocks.

The effect of a cutback would therefore not show itself in higher prices until August at the earliest. By this time the oil companies' stockpiling would be in full swing.

The UK petrol market is therefore likely to go on being what oilmen call "thoroughly sloppy" until this autumn at least. Some senior oil company executives believe a price war—albeit a small one—is not improvable.

However, cuts in crude production by countries like Kuwait may force the big oil companies to prune further their third-party sales—those to customers who are not their subsidiaries. They may, for example, reduce oil sales to national electricity-generating stations.

The UK's Central Electricity Generating Board has started using more coal to generate power, partly because of the price advantage and partly because of last year's difficulties in obtaining adequate oil supplies. A similar trend is developing in other European countries.

This is the kind of business the oil majors could drop without too much hardship, which they might well be on the verge

of losing anyway.

The majors do not seem to believe that Kuwait's planned cutback should be seen as an aggressive move against the West in general or against more profligate motorists.

They think that if anything, Kuwait, a traditionally moderate member of the Organisation of Petroleum Exporting Countries, is trying to forestall some of the more hawkish oil-producing States. According to this view, Kuwait is partly trying to anticipate the possibility that a recession in the West would lead to a large drop in demand for crude oil. Some OPEC members would react by cutting their production severely to maintain their prices.

Kuwait is believed to have started planning its cutback in the interests of oil conservation, 18 months ago, before the revolution in Iran. But a reduction in output now could have the effect of discouraging even greater cuts by other OPEC members, later this year.

Meanwhile, the UK motorist can relax a little. Petrol prices may rise again soon but they are more likely to go up as a result of the forthcoming Budget than in response to actions by Kuwait.

HAZEL DUFFY ON THE BID FOR FAIREY HOLDINGS

The NEB's controversial asset

THE £19.5m cash offer from Hambros Bank for Fairey Holdings has again plunged the ownership of the group into controversy.

When the National Enterprise Board paid £18m for Fairey, just over two years ago, there was considerable anger on the part of Trafalgar House which was anxious to buy the group.

Since then, various companies, both British and foreign, have made it known to Fairey, the NEB and the Department of Industry that they are still interested in Fairey. Most, however, want only a part of the group to fit in with their existing interests.

Fairey's board of directors, which has been appointed since the takeover of the company by the NEB, has always maintained that it wants the company to stay together rather than be sold off in separate parts.

Ideally, the board would have favoured three years under the NEB, when it would be protected from predators, followed by a flotation on the stock exchange or 50 per cent of Fairey shares when the group's profit record would have made it attractive to private investors.

This plan was put in jeopardy with the election of the Conservative Government, which originally required the NEB to raise £20m by the end of the 1979-80 financial year from the

sale of assets.

It was never publicly stated that Fairey was one of the assets, but along with the stakes in ICL, Pirelli and Brown Boveri it always looked like one of the NEB's saleable assets.

Sir Leslie Murphy, then chairman of the NEB, sought City advice on the possibilities of floating Fairey shares last June. He was told that the state of the stock market did not bode well for the debut of a company which had only a one-year profit record.

In September, Sir Leslie asked Mr. Angus Murray, chairman of Fairey, to investigate the idea of putting together a consortium of institutions.

On November 12, Mr. Murray, who has good connections in the City as well as the engineering world, informed Sir Leslie that such a consortium was emerging as a possibility and received Sir Leslie's tacit approval for what he was doing.

Then came the resignation of the NEB board, followed by Sir Arthur Knight's appointment as chairman. At the end of November he also appears to have agreed the course being pursued by Mr. Murray with the help of Hoare, Govett.

Meanwhile, it appears that Hambros Bank was also considering the possibility of making an offer for Fairey, a fact which only recently became

known to Hoare, Govett and Mr. Murray.

It was suggested that, rather than having rival bids, the two get together. They did so, and the £19.5m cash offer arrived on the desk of Sir Arthur Knight.

Those institutions which have demonstrated interest in the sponsorship of the offer include Sir John Pender, the pension funds of the National Coal Board, the Imperial group and BP, ICF, Equity Capital for Industry, and Thompson Clive. The electricians' and plumbers' trade union (EETPU), is also understood to have shown an interest.

Any disposal by the NEB has to be approved by the Secretary of State for Industry. The urgency of the disposal, however, has been alleviated to some extent by the announcement by the Government early last week that it was no longer necessary for the NEB to raise £200m by the end of March.

Fairey was bought by the NEB because of its potential as an instrument for restructuring parts of the engineering industry, particularly those associated with Fairey Hydraulics.

Fairey also has interests in nuclear engineering and high-speed marine equipment, all of which have attractions for other groups. Its basic money-spinner,

however, is Fairey Engineering, the Stockport company which makes military equipment and particularly bridges, for the British and foreign armies.

In its two and a half years under the NEB, it has managed to slightly increase its profitability. In 1978, it made a profit of £5.2m before tax, and in 1979 (the final figures are still being audited) a similar figure is expected.

More important, however, is that it has set about rationalising its structure by closing and selling off those interests which are superfluous to its strategy of expanding its activities. Recently, for example, it bought a Dutch manufacturer of filter equipment and set up a sales outlet in the U.S.

This policy of concentrating on high technology, which has been entirely self-financed, had the support of the last Government. With the present Government's emphasis on reducing the role of the NEB and allowing industry to find its own level from which to diversify into high technology, the logic of being under the NEB's wing is far less clear.

Furthermore, the new guidelines of the NEB, incorporated in the Industry Bill, will specifically encourage the NEB to return assets to the private sector.

UK shipowners want a new advisory body for ports

BY WILLIAM HALL, SHIPPING CORRESPONDENT

BRITISH shipowners are pressing the Government to set up another statutory advisory body for ports. The move comes only a few days after the Government announced it was abolishing the National Ports Council in line with its policy of reducing the number of "quasi-autonomous non-governmental organisations"—Quangos.

In a memorandum on the redistribution of the functions of the near-deceased National Ports Council, the General Council of British Shipping says it is essential that a statutory advisory body should be established, so that port users can voice their views about port efficiency.

It would be similar to the statutory user committees established for other nationalised industries and would be serviced by a part-time secretary from the Department of Transport.

The GCBS suggests that the committee should be kept small, and could consist of two representatives from the ports, two from the GCBS, one from the CBI and one from the Freight Transport Association.

The terms of reference might be: "to consider major questions relating to the efficient operation of the reports and to report from time to time to the Minister."

While market forces should be the predominant means of controlling the country's ports the GCBS believes there is a need for a national body to consider broad issues such as the amount of competition between UK ports and those on the Continent.

The GCBS says it is essential that there should be an independently audited com-

parison of the performance of ports.

The British Ports Association—the trade association of the ports—which is going to assume some of the responsibilities of the National Ports Council, has resisted attempts to compose an individual performance of ports.

The GCBS memorandum will be discussed at a meeting of the National Ports Council today. The CBI and the Freight Transport Association both argue that there should be a special body to help represent port users' interests but do not go as far as the GCBS in calling for another quango.

The CBI would like a Ports Liaison Council to be set up jointly by the British Ports Association and the shippers and shipowners. It would be independent of Government and would not have statutory status.

Block grant alternative for councils

By Robin Pauley

THE FIRST of a series of regional meetings to mobilise support against Government plans to alter the system of funding local authorities was held in London yesterday.

The Association of Metropolitan Authorities explained its alternative plans to the proposals for a block grant system at a meeting of council leaders and treasurers from London.

Sir Geoffrey Taylor, chairman of the association, said the Government's sweeping proposals meant local government would become little more than a local agency for central government.

He urged all the representatives to lobby their local MPs and impress on them dangers of the proposed system, which is set out in the Local Government Planning and Land Bill now in Committee Stage in Parliament.

The association will hold similar meetings in Birmingham, for the West Midlands, tomorrow; Wakefield, for Yorkshire and Liverpool, on Monday; Newcastle on Tyne on March 5; and Manchester on March 12.

Mr. Michael Heseltine, the Environment Secretary, said recently that he would consider alternative proposals to the block grant system if the local authorities produced a scheme which met all of the Government's requirements. He doubted if this was possible.

Police recruit in Scotland

A TEAM of six Metropolitan Police officers is to visit 12 Scottish towns seeking recruits to London's police force.

The team will be visiting job centres in the 12 towns on March 3 and 4.

Decline of High Street chemists 'is slowing'

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE RATE of decline of the small High Street retail chemist is slowing, according to a survey by the Nielsen market research company.

The survey shows that while the number of chemists has fallen, the number of sales has reached a high point in 1979. 288 closures in one year, the net reduction last year was estimated at under 100.

There was a net reduction of 78 chemists in the first 10 months of 1979, which suggests the annual reduction will have been about 84. In 1978 the reduction was 108 shops.

This brings the total number of High Street chemist shops, as of last October, to 10,628. In 1972 there were some 11,924 retail chemists.

The basic reason for the decline is the inability of small chemists to compete on pricing with larger competitors, such as Boots, Superdrug, and the supermarkets.

All these multiples sell cosmetics and toiletries at prices well below those charged by the small chemist.

The multiples' higher volume of trade enables them to offer lower prices by reducing their profit margins as well as seeking bulk-buy discounts from manufacturers.

The Nielsen research shows that of the nine most popular branded toiletries over 40 per cent of sales are now concentrated in the hands of the major multiples and supermarkets.

Moreover, the chemists' traditional role as the clearing house for film processing has been eroded by film-processing companies seeking wider outlets, as well as the greater use of mail order.

The Nielsen report suggests that small chemists still have a strong position in some markets, such as health and beauty products, where they can offer a personal service as well as stocking different sizes and ranges.

"Building on these strengths will play an important part in the future of the profession," says Nielsen.

Victoria Cross of 1917 fetches £8,800

SALE ROOM

BY ANTHONY THORNCROFT

A VICTORIA CROSS, awarded in 1917 to Private Horace Waller of the King's Own Yorkshire Light Infantry, was sold at Christie's yesterday for £8,800. This is the going rate for a "good" VC, which this one was in terms of condition and the bravery which earned the honour. It was acquired by Spink, which pays an extra 11.5 per cent in buyer's premium and VAT.

Other high prices on the first day, totalling £41,978, of a coins and medals sale were £3,000 for a Bulgarian Order of about 1910, that of St. Alexander, £1,700 from Baldwin for a group of three lifesaving medals, including the Albert Medal, in gold, awarded to William Beith for his efforts at the Tyneside Colliery disaster in the Rhondda in 1877; and £1,650 for a group of Orders and medals awarded

to A. de C. Williams between 1908 and 1946.

A rare St. Louis cruciform carpet ground paperweight sold to a New York dealer for £2,200 at Sotheby's yesterday in a French glass and paperweight auction. A Clichy moss ground patterned millefiori weight went to the same buyer for £2,200. Among the books, Liber Cronicaum, printed at Augsburg in 1497 with many woodcuts, made £1,350.

Top prices at Christie's South Kensington were £2,400 for a 103-piece canteen of cutlery, with the Silver Jubilee hall-mark and, among the watercolours, £1,400 for Temple Bar, by Louise Rayner.

THE JOBS COLUMN

So you want to have yourself tested...

BY MICHAEL DIXON

THE PAST WEEK'S mail and telephone calls have supported a belief which the Jobs Column has held tentatively for a long time. It is that, before leaving education, people in the United Kingdom generally put less consideration into choosing a personally suitable line of work that is likely to last for 40-odd years, than into planning a holiday that will last for a fortnight.

Since I wrote 12 days ago about what I and one of several acquaintances learned as a result of having our aptitudes and so on tested, dozens of inquiries have arrived. The people making them are aged from 20 to 45 or so, and most of them want to know the address, and the charges, of the Independent Assessment and Research Centre, which I just happened to mention in the column on St Valentine's Day.

The majority of inquiries have come from people who are in mid-career, and are now being tantalised by the thought that they might perhaps do better to change their line of work. This is not to say that they have so far lacked success. Most seem to have done pretty well. The following query is just one example:

"Where would you send a middle aged (38) fairly successful commercial accountant to see whether he has been in the

wrong job all his life or is suffering from early onset of the male menopause or something? I mean, why this craving for pig-farming suddenly?"

Having been asked effectively the same question by so many readers, I am going to answer it now. But before doing so I am anxious that people interested in undergoing the—justly named—"battery" of tests of their reasoning powers and other aptitudes, their personality and their interests, should promise to consider the points which I shall make later.

The Independent Assessment and Research Centre lives at 57, Marylebone High Street, London, W1. Its telephone number is 01-496 6106, and its head is Dr. Ken Miller.

The usual drill is that people going to the centre on their own initiative take the tests during one of the regular group sessions, which last for a good two-thirds of a day.

Advice

When they have gone away, the centre's staff examine the test results and, normally within a week, ask the customers to return for an individual interview to hear and discuss the apparent outcome. Where appropriate, they give information enabling them to follow up on their own account any new lines of investigation

which the exercise has suggested. The customers also have the right to return again within the ensuing year for a further consultation.

The charge to people going on their own account is £61 if they are in full-time education, and £74.75 for other adults. Both figures are inclusive of value added tax.

Now to the points for consideration, the first of which takes the form of a story told to me a while ago by an eminent woman psychologist, for long a specialist in testing. For many years she has been married to an equally eminent man psychologist who is also an experienced specialist in testing. I suppose one might call it a marriage of tried minds.

The Saturday night before she told me the story, she had been with her husband at an apparently somewhat formal party. At one point while they were chatting to some other guests, he—being evidently sober—suddenly pulled from his pocket a length of string and used it to perform a party trick.

"I swear to you on my record as a professional psychologist," she said, "that if you had asked me beforehand to name to you the last thing that my husband would ever do, I would have specified a party-trick."

"And if I can't be absolutely right about a fellow psycholo-

gist whom I've been working and living with for years, there's going to be a considerable margin for error in my judgments about people whom I meet for only about a 30-minute interview, even though I have seen the results of their tests."

The other proviso is the product merely of my own reflection. It concerns the time when, after taking the tests, the person is trying to draw up a list of new lines of work which the results suggest might be worth considering. Obviously, it is desirable that the range of possibilities should be as broad as is sensibly consistent with the test results.

Bearing in mind the above-mentioned margin for error, I felt that the best approach to drawing up the list is to give oneself the benefit of the doubt.

This means avoiding restricting the list to activities which require the things that the tests indicate one to be good at. Instead, the possibilities should be expanded to include any activity not requiring things which the tests, in the light of subsequent thought, convincingly show one to be bad at. And in deciding what amounts to adequately convincing evidence, one should remember that the problem of becoming an adequate darts player is not insuperable if the person concerned has either (a)

no arms, or (b) no sight, but only if he or she suffers from both deficiencies.

There remain two footnotes to this column's discussion of testing.

Views wanted

First, I am sad to say that none of the readers who have responded to the February 14 article has supplied information of the kind it appealed for. This is the views of people with lengthy and successful experience in various different lines of work, on basic abilities which their particular type of job requires, but which are not necessarily evident to someone who has not done the job.

I know that supplying such information requires careful thought and burdensome writing. But the lack of it hampers the efforts of careers advisers generally to achieve something which is in everybody's interests—to improve the quality of advice available so that there is a far better chance of the country's most responsible jobs being done by the people best equipped to do them. That improvement is to my mind at least as important to the well being of this country, as in any other development. So, please, let's be having you, and soon.

If readers will this time shake

themselves up a bit and supply the information required, I will put it forward for more general consideration in future Jobs Columns. Naturally, I guarantee not to identify the people who supply it, unless they give me specific permission to do so.

The second footnote concerns a long-standing problem about testing. It is that most of the tests now used are adaptations of measuring devices which were first developed a long time ago, and often for purposes other than determining what jobs people are likely to succeed in. Several of the tests, also, were standardised originally, not on British people, but on Americans. And the two do not necessarily react to the same things in the same way.

As it happens, a new series of tests directed towards assessing people's suitability for different kinds of work, and standardised on Britons, has lately been developed by two UK psychologists, one of whom is the man who did the party-trick.

Any day now, I shall be submitting myself to the new test which is designed to show whether a person is suitable for a managerial job. When the agency is over, I will report on the experience, even if—as I would lay odds will be the case—I fail miserably.

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UK NEWS—PARLIAMENT and POLITICS LABOUR

Strike cost 'exceeds £450m'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE COST of the steel strike exceeds the £450m made available to the British Steel Corporation under the cash limits for the next financial year, Sir Keith Joseph, the Industry Secretary, told the Commons yesterday.

Answering questions as the strike was about to enter its ninth week, he warned that even more jobs might be lost in the industry if it continues.

It was more essential than ever that the BSC should break even by every means necessary. This included the possibility of disposing of some of its assets, an attack on overheads and stocks "and of course, further loss of jobs if that becomes necessary."

Sir Keith and his junior Ministers once again came under Labour attack over the Government's handling of the strike. He re-emphasised that the Government will not intervene and will not make more taxpayers' money available to get a settlement.

During the exchanges, Ministers indicated that the Government would like to see a

ballot of steelworkers. They also voiced their opposition to the TUC's proposal for a one-day national stoppage for workers to demonstrate against the Government's industrial policies.

Sir Keith said that he had full confidence in Sir Charles Villiers, chairman of BSC. Mr. John Siskin, Labour's industry spokesman, claimed that in September Sir Charles had warned Sir Keith of the possibility of a general strike.

But the Industry Secretary replied that although the chairman had warned he had not mentioned a general strike.

"The longer the strike continues, the greater will be the import penetration," Sir Keith

SIR ANTHONY MEYER (C, Flint West) said in the Commons that those on the "compassionate wing" of the Conservative Party were sadly but totally in support of the industrial policies of Sir Keith Joseph.

said. "I can't begin to guess what effect the strike — let alone a longer strike — will have upon the market-share of the BSC. I hope the steelworkers are alive to the dangers."

If the corporation did not increase its productivity "the reduction in the size of the industry would have to be even greater than now."

Mr. Anthony Wedgwood Benn (Lab., Bristol S.E.) wanted to know whether Sir Keith accepted any responsibility at all for maintaining a viable steel industry.

Sir Keith told him: "It is in the interests of the steelworkers that the industry should get back to work as soon as possible. The sad fact is that

There was scornful laughter from the Labour benches when Mr. Michael Marshall, Industry Under-Secretary, said that Sir Keith would appreciate this remark, which had "shown yet again that this great party is united on this as on all else."

the nationalisation of the steel industry has gravely damaged the steel services of this country."

He thought the proposal for a one-day stoppage of industry would have no value at all and he hoped it would not occur.

On the possibility of a ballot of BSC workers, Mr. Michael Marshall, Under-Secretary for Industry, said this was a decision for unions and management.

"But certainly we would welcome a move in that direction," he emphasised.

Suggestions that the corporation should "hive off" some of its assets were attacked by Labour backbenchers.

Mr. Adam Butler, Minister of State for Industry, said the BSC should behave exactly as a private corporation in the present circumstances. If it had to finance expenditure or losses then it might have to do so through the sale of assets.

He said the Government would not stand in the way of the disposal of the BSC assets to the private sector if it were proposed.

Power workers prepare claim

By Pauline Clark, Labour Staff

A JOINT working party in the electricity supply industry was yesterday preparing details of a pay offer to some 90,000 power workers, which shop-floor leaders expect to amount to between 17 and 20 per cent.

National officers in the industry, four main manual unions and employers' leaders in the Electricity Council plan to start negotiations next month.

Shop-floor leaders believe a reply to their claim for "substantial" rises would have been forthcoming before now but for the troubles in the steel industry.

They believe prospects for a satisfactory rise without resort to the threat of industrial action are high in view of the reasonably consistent awards already made in industries to which they are traditionally compared.

Most recent was the agreement on a 2.14 per cent rise to water workers, while towards the end of last year, manual workers in British Nuclear Fuels were given increases of between 22 per cent and 27 per cent in a nine-month deal.

More important, perhaps, the power workers are conscious that unlike last year they have the weight of the coal miners' 20 per cent settlement behind them.

Although power workers are also looking for an extra boost from further increases to shift workers, prospects of achieving a reduced working week from the present 38 hours to 35 hours as demanded in this year's claim are not thought to be very high.

Another factor is the recent arbitration award of increases between 2.4 to 6.5 per cent to engineers in the electricity supply industry.

There is a desire to maintain differentials between former and new manual workers' group and the 27,000 engineers in the industry.

Last year, power workers threatened industrial action before accepting a 23 per cent rise. This followed rejection in a secret ballot of a 14 per cent offer.

35-hour week at Kays group

By Rhys David

A TOTAL of 5,000 workers employed by Kays Mail Order part of the Great Universal Stores group have won the right to a 35-hour week in a deal negotiated by the Union of Shop Distributive and Allied Workers.

The deal also includes a 17.75 per cent increase in pay for office and warehouse grades, taking basic rates up to a minimum of £54.52 and a maximum of £70.46 before bonuses.

The union, which represents about 30,000 mail order staff, secured a one-hour cut to 39 hours in the working week for 130,000 supermarket workers last autumn. It claims that members at Kays are among the first sizeable groups of manual workers in Britain to get a reduction to 35 hours.

The bulk of the workforce at Kays is female and several of the staff are married. UDAW national officer, the agreement means most will be able to leave work at 4.30.

Banking staff will seek 32% award nationally

BY NICK GARNETT, LABOUR STAFF

THE EXECUTIVE of the Banking, Insurance and Finance Union has agreed to pursue its pay claim with the five main English clearing banks this year on the basis of common national negotiations.

It has withdrawn the threat of attempting to negotiate with each of the banks separately as part of its continuing dispute with the staff associations.

Separate bank negotiations last year almost certainly prolonged those negotiations which were accompanied by industrial action at the Midland Bank.

The union had warned that it would consider pursuing its claim for rises of 35 to 32 per cent locally, depending on the attitude of the Federation of Bank Employers to negotiations with the staff associations, which operate in three of the five banks.

The union said yesterday that it had agreed to national negotiations, which it had always

preferred, because of assurances from the employers' body.

One of these was that the federation was prepared to have negotiations with the staff associations separate from the banking union, rather than on a joint basis.

The union has also received assurances that although the two banks without staff associations would have federation representatives at negotiations with the staff associations at the other three banks, this did not reflect any change in the banks' attitudes towards the staff associations as a joint representative body.

Union officials must also have been aware that it would have been uncomfortable to pursue local negotiations when the union is still locked in what is almost a national recruitment battle with the staff associations.

Mr. Leif Mills, the union's

general secretary, said yesterday that Lloyds Bank's latest profit figures—up 90 per cent for the UK operation—clearly indicated that the banks could afford to meet the claim.

● The union is receiving calls from some of its branches for industrial action against rationalisation plans for Lloyds Bank's Trust division, which could involve redundancies.

It also says that there is a possibility of industrial action by its members in the bank's own security-van service, which management intends to run down over the next three years.

The bank said yesterday that it had not received a redundancy claim for staff in the Trust division and that the claim for security-van service personnel was far too high.

The staff association at Lloyds said its talks with management over the Trust division were going well.

Civil Service action 'selective'

BY PHILIP BASSETT, LABOUR STAFF

CIVIL SERVICE strike action should continue to be selective rather than take the form of an all-out stoppage, Mr. Ken Thomas, general secretary of the largest union in the Service, the Civil and Public Services Association, said yesterday.

The CPSA, with the Society of Civil and Public Servants, created considerable disruption to Government, business and Post Office cash flow last year by a series of selective strikes over pay.

The union, though, had to ward off attempts by some to extend the strike action and particularly to include the sensitive areas of payment of benefits by the Department of Employment and the Department of Health and Social Security.

Like the other Civil Service unions, the CPSA is readying itself for difficult negotiations with the Government adheres to its principle of using cash limits to regulate Civil Service pay increases despite the findings of an independent comparability report.

The CPSA has already set aside £4m from its general fund to bolster up its strike fund, which was heavily drawn upon during last year's disputes.

Mr. Thomas, writing in his union's journal on the CPSA's use of strikes, said that in the 10 years in which the union had held a strike policy its main thrust had been that an all-out indefinite strike was an unsuitable weapon.

"My belief is that we have

not yet squeezed the lemon of selectivity dry despite the pressure being placed on it," he said.

Mr. Thomas pointed to the establishment of the Government of two Cabinet committees whose purpose is to find ways of combating strikes in the Service and mitigating their effect on the Government machine.

He doubted, though, whether they would find an effective reply to the union's action, although he thought the Government would consider repeating its policy of the last round of strikes of suspending union members. This placed an increased financial pressure on the union's strike fund.

Labour supports calls for import curb probe

BY EMINOR GOODMAN

THE SHADOW Cabinet yesterday backed the Welsh TUC demand for an immediate investigation into the need for selective import controls to protect the most vulnerable parts of the steel industry.

At a meeting earlier yesterday of the TUC liaison committee, which brings together the TUC, the Shadow Cabinet, and Labour's National Executive, Labour again accused the Government of being totally unrealistic and "socially irresponsible" in setting a deadline of March 31 for the steel industry to break even.

The committee also repeated the Opposition's view that it would be folly to reduce the industry's capacity to 15m tonnes a year as this would only increase steel imports.

The statement that emerged from what was at times a heated meeting of the TUC liaison committee was, however, a watered-down version of that originally

proposed by Left wingers on the Executive.

Mr. Anthony Wedgwood Benn drafted a statement which would have committed the Party to introducing import controls on steel. This, he maintained, would only have been in line with what already was supposed to be Party policy.

Mr. James Callaghan, Opposition leader, backed by Mr. Denis Healey, and Mr. Roy Hattersley, objected strongly to any such specific undertaking.

Mr. Benn's original wording would also have opposed the whole idea of closures much more strongly. Mr. Callaghan argued, successfully, that it would be foolish not to acknowledge the need for some run-down in the industry.

Rather than opposing closures altogether, he asserted, the Labour movement should attempt to change the time scale of these closures and so reduce the social distress.

Car import ban urged

BY ALAN PIKE, LABOUR CORRESPONDENT

THE TRANSPORT and General Workers' Union is to meet its sponsored MPs next month to launch a campaign for total import controls in the motor industry, it will also seek a meeting with Sir Keith Joseph, the Industry Secretary.

TGWU leaders yesterday demanded a policy to ensure that no cars are sold on the British market after January 1982 which have not been assembled

here. They also want controls on the level of foreign-produced components in cars assembled in Britain.

The TGWU call for all-embracing controls on import penetration follows efforts by Sir Michael Edwards, chairman of BL, to persuade the Government to take action against "unfair competition" in world markets.

'Collusion' claim over cuts

By Our Labour Staff

BUILDING EMPLOYERS and the Government were accused yesterday of colluding over wage negotiations and expenditure cuts.

Mr. George Henderson, national construction secretary of the Transport and General Workers Union, said last week's announcement by Mr. Michael Heseltine, Environment Secretary, of cuts in the council house building programme just before the industry's annual wage negotiations were due to begin was too much of a coincidence.

Only last week, Mr. John Allen, president of the National Federation of Building Trades Employers, was supporting Tory cuts in public expenditure and was trying to soften the construction industry's opposition with the Government. Mr. Henderson said.

The headline announcement looks strangely like a quid pro quo for the federation's stance and it is suspiciously like collusion to me," he said.

The union's resolve to fight for its claim, valued at between 20 and 30 per cent, would not be affected, however, he argued.

The federation said yesterday that an £50,000 per director limit would also apply to loans to buy houses.

There is a special exemption for major banks, who may lend commercially without limit. But they must keep a register and, like other companies, make details available to shareholders.

Even those familiar with company law admit that the Bill is a severe test of the understanding. "There is going to be a lot of unprofitable work for lawyers in telling clients what it's all about," said one company law expert. "But the legislation is on the way," he said.

The next concern is company accounts. Once the present Bill has received the Royal Assent, the Government will try to put all the past Companies Acts together in one mighty consolidation effort.

School transport fee attacked by Butler

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE Government's proposed charges for school transport came in for strong criticism in the Lords last night from Lord Butler of Saffron Walden, who was deputy Prime Minister in the Conservative Government under Macmillan.

His speech was the first sign of the threatened revolt of Conservative peers against the proposal. He is by far the most influential senior Conservative to have attacked the plan for transport charges. He indicated that some Conservatives would not support

port the proposal unless the clause in the Education (No. 2) Bill was changed before the Lord's committee stage.

Lord Butler, who was the architect of the 1944 Education Act, was speaking on the second reading of the Bill in the Lords. He declared: "If the Government could find some other way of raising this money before the committee stage I think it would be a very good thing."

Lord Butler also criticised the Bill's proposal that will make it easier for local authorities to drop the provision of nursery education.

'Realistic price' key to energy policy

BY IVOR OWEN

REALISTIC PRICING will remain the central element of the Government's energy conservation policy, Mr. Hamish Gray, Minister of State for Energy, told the Commons last night.

He strongly defended the decision to raise gas prices but refused to be drawn on the likelihood of next month's Budget including an increase in the tax on petrol.

Mr. Gray described the Government's recent decision to impose new financial targets on the gas industry as part of the Government's energy conservation programme.

"Proper pricing is essential

in any sensible energy policy since it is without doubt the most effective instrument for influencing consumer behaviour."

Mr. Gray underlined the need to convince the public of the safety of nuclear energy—safety was the first principle of the Government's approach to nuclear power policy and would remain so.

Mr. Geoffrey Johnson Smith (C East Gristead) called for greater efforts to create a better understanding by the public of the nation's future energy needs, particularly in relation to the safety record of the nuclear power industry.

Critical Tory MP confesses

BY EMINOR GOODMAN, LOBBY STAFF

MR. JULIAN CRITCHLEY confirmed yesterday that he was the anonymous Conservative MP who, in a recent Observer article, accused the Prime Minister of leading the party to disaster with her "A-level economics and obsession with monetarism."

Mr. Critchley, MP for Aldershot, did nothing, however, to ingratiate himself with his leader. In fact, he used an interview on BBC Radio 4 to make things worse by insisting that eventually the Government would have to consider introducing a pay policy.

The authorship of the article was the main focus for gossip at Westminster last week. In public, Conservative MPs may deprecate anonymous attacks at "dishonourable," but in private they seemed to enjoy nothing more than a good assassination story—particularly a mystery one.

Mr. Critchley, an established freelance journalist and well-known opponent of the Prime Minister, was tipped as the favourite from the start. His confession, therefore, would surprise no one—least of all Mrs. Thatcher.

Mr. Critchley has already marked himself in this Parliament as a highly articulate rebel, more Critchley than Heathcote, let alone Thatcherite. Insofar as Mrs. Thatcher would acknowledge his existence at all, she would probably regard him the same way she would a mosquito: more irritating than

dangerous, and only worth stamping on because he might just be carrying infectious germs.

In isolation, therefore, Mr. Critchley's attack would account for little. Certainly, there are other Tory MPs who believe that Mrs. Thatcher will eventually have to execute a U-turn and come round to some form of incomes policy, or, failing that, import controls. But most are prepared to give her present policies longer to prove themselves.

Far more worrying to the Government's business managers is the way criticism of the Government's approach keeps coming out into the open. Even some of the older MPs who could normally be expected to be totally loyal are beginning to shift uneasily on the backbenches.

They would certainly not go as far as Mr. Critchley in condemning Mrs. Thatcher's economic policies. But some are unhappy about some of the side effects—particularly as everything is taking place against a far grimmer industrial backdrop than they expected.

The great majority agree on the need to cut public spending. But a vocal minority query whether the Government has got its priorities right. They argue Ministers have needlessly tried the patience of traditional Tory voters by making cuts in programmes which are much more valuable to them than to

the Exchequer.

Rebellion on school transport charges, like the threatened revolt over the Government's reported plans for taking some of the social security business away from post offices, are both justified by Tory MPs in these terms.

It was almost inevitable that with an overall majority of 42 there would be occasional rebellions. There are none of the pressures on the backbenches which there were in the last Parliament to obey the Government line meekly.

Moreover, the Tories' victory brought into Westminster MPs who know that they will be very lucky to survive another election. Some believe that the only way they will be able to do so is if they are seen to take more note of the views of their constituents than of the demands of the party whips.

Older Conservatives argue more cynically that some of these younger members are only protesting now because they never thought they would be elected and therefore did not really think through the consequences of the manifesto on which they fought.

Certainly, the voting record of Mr. Geoffrey Dickens, Tory Member for the precarious seat of Huddersfield West, has become fabled at Westminster. The Tory whips are reputed to thank him when he appears in programmes which are much more valuable to them than to

MPs would never dream of behaving in such a way. Many Conservative Members think their colleagues are just being wet by complaining now. They argue that, in fact, the Government would do far better to get on with the painful bits of surgery now rather than waiting until the next election becomes a real restraint.

If this kind of loyal Conservative MP does have a criticism of the Government, it is almost invariably couched in terms of "communications." MPs blame the unpopularity of certain Government policies on a failure of communications.

Some of those MPs who went to last week's meeting of the Tory backbench media committee admit that blaming communications is the easy way out. But they also argue that the Government has itself legitimised public criticism by the way Ministers have behaved.

In this view, the party's morale has not been helped by the way Ministers have been conducting their arguments in the Press—a point also made by Mr. Critchley yesterday.

The signs are, however, that the repeated rallying calls to the Tory troops are beginning to pay off. Certainly, the Government should not have any worry about votes in Thursday's general election, though some backbenchers are hoping to use the debate to remind the Government of what they think its priorities should be.

Bill to outlaw insider trading faces last hurdle

INSIDER share trading has long been recognised as a disturbing fact of life on the stock market, widely condemned but not illegal in Britain. Like a gambler playing with marked cards, the person who trades on inside information has a clear start. Already this year, such fleet-footed operators have pushed up several share prices ahead of takeover news.

After Easter, however, the insider dealer's legal immunity in Britain will be stripped away if the latest Companies Bill becomes law. It receives its third reading and report stage in the Commons today and tomorrow, and contains stringent and carefully drawn provisions aimed at catching those who benefit from the use of inside information and deterring others.

But a company's shares could still soar dramatically ahead of a takeover announcement, or plunge before bad news. For one thing, it will be hard to identify any specific case of insider dealing amid the welter of trading in an active stock. And the task of proving a criminal charge will be immense.

It has taken about seven years to bring such legislation near to the statute book. The previous Conservative Government started in 1973, but was voted out of office the following year. And Labour had a Bill on the stocks before the Tories returned to power last year.

The proposed ban on insider dealing is only one aspect of the Companies Bill. Some form of additional company legislation was inevitable so that the UK could comply with European law. The first and non-controversial part of the Bill is designed to implement the EEC Second Directive on Company Law. The directive mainly covers the formation of public companies and the subscription and maintenance of their share capital.

Notably

Most British companies have been ambivalent about the Bill. Yet in addition to provisions on insider dealing, several other parts have aroused comment from corporate experts and professional bodies. In the wake of some major abuses during the 1970s—notably the case of Peachey Property—the Bill tightens up considerably on company loans to directors.

And in a clause which has been given a variety of interpretations, directors must regard "the interests of the company's employees in general as well as the interests of its members." Since this must be assumed to be general practice in the vast majority of British companies, its inclusion in a Bill might seem like a rather whimsical and feeble gesture in the direction of improved industrial relations.

The Opposition certainly regards it in this way. The Government, on the other hand, points to the variety of legislation on redundancy and employment protection and argues that there is no need to reinforce the clause, number 46, by giving workers any special right of action against directors.

Cecil Parkinson, Minister of State for Trade, said in committee last November that Clause 46 "will mean that the contribution that both employees and members (shareholders) make to the success of each enterprise will now be recognised in company law."

Labour voted against the clause in committee and Mr. Stanley Clinton Davis, Labour's chief spokesman on company law, said it perpetuated the inadequacies of existing law.

"There is no suggestion of even-handedness," he added. "I believe this to be an archaic approach." The Opposition's proposal, incorporated in its Bill when in Government, would have made it mandatory for directors to pay attention to their employees' interests.

Although the role of Clause 46 in the Bill is chiefly declaratory, it does have a specific purpose in allowing companies to make financial provision for employees when closing down a business. This need stemmed from the 1962 case of Park v. Daily News, when the judge

ruled that the law did not allow gratuitous redundancy payments to be made to the employees from the sale of The News Chronicle and The Star should go to shareholders only. Mr. Parkinson said various

Andrew Fisher reports on the Companies Bill which receives its third reading in the Commons today and tomorrow.

Governments had tried to deal with this problem since the early 1970s.

The Confederation of British Industry is sceptical about the value of Clause 46, even though some of its members believe that there should be something in the Bill on the rights of employees. It has decided, however, that it can live with the clause as drafted.

In line with Labour's contrasting view that the clause is too lukewarm, Mr. Clinton Davis hopes to have the matter debated further this week. The workforce ought to have some right of action under the new Bill, he said after the committee stage. "I don't believe the floodgates of litigation would be opened."

Altogether, there are some 300 Government, Opposition and private amendments down for discussion in the Commons over the next two days. Most are technical, designed to put the finishing touches to a com-

plex piece of legislation. But Labour wants the insider dealing clause to be made tougher. It will press for ways of ensuring that outside interests do not covertly build up large stakes in British companies. This

placed on specific "unpublished price sensitive information." Possession of this and knowledge of its value will be the key point to be established in any criminal charges. Mr. Parkinson explained at the committee stage: "It has to be shown that the director knew that the information was likely to materially affect the price."

Insider dealing is prohibited under Clauses 65 and 66 of the Bill, by anyone "knowingly connected with a company" in the preceding six months. It also covers anyone using information "which he knowingly obtained (directly or indirectly) from another individual who is connected with a particular company," or was in the past six months, and who he knows "or has reasonable cause to believe held the information by virtue of being so connected." This could clearly include advisers, such as a company's broker or banker.

No one expects many convictions to arise from the Bill. The hope is that potential insiders will be sufficiently deterred by its provisions. "It is vital that millions of small shareholders have confidence that they will not be ripped off in the market," said Mr. Parkinson.

Like the Stock Exchange and the Takeover Panel, both of which conduct their own investigations into suspicious share fluctuations, Mr. Parkinson does not believe that insider dealing is a widespread abuse. "I do

not expect to see hundreds of previously respectable, highly-regarded people dragged before the courts," he said. For those who are found guilty, the punishment on summary conviction is a fine of up to £1,000, imprisonment of up to six months or both.

If the prosecution insists on trial by indictment (before a jury), however, there is no limit to the size of the fine on conviction, while imprisonment can be for up to two years. "So there is the possibility of society, through the courts, depriving the offender of his profits," said Mr. Parkinson. Now will the attempted crack-down on insider dealings affect financial institutions which hold large stakes in many companies? Unless they make obvious use of price-sensitive information, the Government does not feel they should be inhibited in contacting and monitoring the businesses.

Lending

It would, in fact, like to see them taking a more active shareholder role. According to Mr. Parkinson: "We believe that such institutions should be concerned not just to step in when things go badly wrong in the companies in which they invest but also, as major shareholders, to keep up an active pressure on companies." As for loans to directors, the Bill seeks to add muscle to the

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

PLASTICS Push fit components for plumbers

IT IS almost a year ago to the day since the Acorn range of push-fit plastics plumbing fittings was launched on a traditionally hidebound plumbing world by Bartol Plastics, Edlington, Doncaster, South Yorkshire (0708 863531).

These were designed to replace copper capillary soldered fittings and mechanical compression fittings used in conjunction with copper pipe. Joints in a domestic water system are made by simply pushing the pipe into a socket.

The instant push-fit system proved enormously time-saving on initial installations, and formerly reluctant plumbers also found that there was no danger of possible damage to adjacent fixings by blow torch or solder drops — also where necessary, the Acorn fittings could be instantly dismantled.

TRANSPORT

Old buses rebuilt

AMERICA'S LEADING bus and truck refurbishers, Blitz Corporation of Chicago, specialises in what it calls "remanufacturing" old buses and coaches, often prolonging the life of a bus by eight or 10 years.

Currently dealing with some 200 of Detroit's city buses (on average about 10 years old) the company is stripping the vehicles down to the shell after which they are re-engineered where necessary and fitted with new transmissions, brakes, seats, etc. After a repaint, they are given a new, modern appearance and are claimed to satisfy all official requirements.

Blitz recommends HELP bumpers as part of the bus refurb and these are specified for all the Detroit projects.

If builders' merchants and plumbers needed further reassurance as to the quality of the product they were given the message with the award of an Agreement Certificate to the company last spring.

Now, Acorn's continuing success is underlined by the announcement that its fittings have been officially tested and accepted by the National Water Council for non-pressurised domestic central heating services.

Prior to the NWC approval, the product was tested and accepted for above-ground and hot and cold domestic water supply systems only. New NWC recognition opens up a much wider market to both installer/plumber and to the merchant.

Fittings are made in durable polybutylene (five are necessarily produced in DZR brass) and presently come in two sizes

to accept 15 mm or 22 mm copper pipe to BS 2871. The company intends eventually to introduce a special selection of 28 mm fittings.

Priority at the moment, however, is the introduction of a new cutting and grooving tool for stainless steel tubes enabling pipe of this material, as well as copper, to be used with Acorn fittings. More details of this development will be announced later in the year.

Since Acorn's launch, its applications in the UK include many small through to large-scale developments, including the YMCA building in Liverpool and a hotel redevelopment in East Anglia, while an indication of likely demand internationally is that negotiations are already underway to grant manufacturing licences to overseas manufacturers.

Further new product developments are promised, including waste systems, underground drainage and rainwater systems. Apart from improving home market sales (over 400 merchants now stock Acorn) the company says that its exports are expected to reach a record figure of 20 per cent of total sales in the coming year.

DEBORAH PICKERING

PROCESSES

Plastic fill for blocks

MANUFACTURING licences for a new patented technique for filling hollow building blocks with Styrocell expandable polystyrene for insulation purposes are being offered by Shell Chemicals UK.

Automatic equipment which can be installed in existing block plant, is available. Shell Chemicals says this has been developed during several years of operation at a UK block manufacturer where it can be inspected by prospective licensees.

The process involves injection of Styrocell expandable beads of consistent density into the block cavity where they are consolidated using steam. No chemical mixing is involved and no toxicity problems occur during production or after installation. The blocks can be handled and stored outside immediately after filling without risk of undue water absorption, it is stated.



This multi-purpose machine tool can be used for milling, drilling, boring and grinding and is said to be especially suitable for prototype work, model-making and research. Of Swiss design, it is called the Wahl 76 and it will be demonstrated at March 80, the international machine tool exhibition to be held at the National Exhibition Centre, Birmingham, from April 22 to May 2 by Matchless Machines of Hershham, Sussex.

MATERIALS

Rigid foam mouldings

RIGIDITY OF structural foam (SF) mouldings—which have a cellular core with an integral smooth outer skin—plus load bearing capabilities, make them particularly suitable for business machine applications, says British Industrial Plastics, PO Box 11, Tat Bank Road, Oldbury, Warley, West Midlands (021 552 1551).

The incorporation of moulded-in fixing lugs and similar devices also simplify assembly of the internal electronics and equipment and the latter is securely held within the rigid SF housing which is capable of absorbing more damage and greater impact than the same-weight solid injection moulding,

says the company. Four large, precision mouldings in Noryl structural foam (the largest weighing 3 kg) are being supplied for the base, cover and cash drawer for Data Terminal Systems' model 219 electronic cash register assembly of which is carried out at this American company's European plant in Dublin.

The smooth, non-gloss surface texture of SF is enhanced by a special paint spray finish applied to all of the mouldings before delivery to DTS. Base and cover are sprayed grey and the drawer is finished in black to match the upper deck carrying the control/cash buttons and read-out displays.

PACKAGING

Getting it all taped

INCLUDED IN its display of products at Pakex exhibition at Birmingham's NEC next month (March 17-21) are print tapes, wider width filament tapes, its latest bag sealing unit, announces British Industrial Fastenings, Gatehouse Road, Aylesbury Bucks (0298 81341).

Range of tapes includes the recently launched vinyl customised BIF-Print tapes which have been designed to increase security and enhance the customer's corporate image. Pilfering is greatly discouraged by the use of customised tape as it is much more difficult to open and reseal packs without it being visibly obvious.

Filament tapes are made from extremely tough and resilient polyester material reinforced with glass fibre filament yarn and coated with a strong and durable adhesive, and are said to be ideal for sealing large and heavy packs or for taking the place of strapping by taping together several packs for ease of handling as a unit load.

Particularly for larger volume packers, the random tape sealer, which can handle up to 360 cartons an hour, and the BIF Dual Auto semi-automatic comfortably handle some 600 cartons an hour. The latter features a self-centring device for correct carton positioning on the production line.

Said to provide ideal tools for packers requiring a fast method of top carton closing is the company's range of air clinchers, including the RC4 roll feed clincher designed for high throughput filled carton closing. The portable Bag 30 bench sealer maintains high production rates for polythene bag taped neck closing, says the company, as the sealer keeps pace with operator speed. It applies a predetermined length of 9 mm or 12 mm wide self-adhesive vinyl tape around the neck of the bag giving a strong, secure closure while simultaneously cutting the end to leave a tab which enables the bag to be undone easily and quickly.

POWER

Earth leakage test units

FURTHER equipment concerned with earth leakage protection has been introduced by George H. Scholes and Company under the Wylex brand, including earth leakage circuit breaker (ELCB) testers and monitoring units, appliance earth leakage testers and combined earth protection units.

The ELCB tester is designed to test earth leakage trip functioning of current operated devices and can test breakers of 10, 30, 100 and 300 mA sensitivity. Tests can be made at 50 and 100 per cent of the rated tripping current. The unit can be connected to any EL protected socket outlet — there is no need to open equipment and expose live parts.

The EL monitoring unit gives early warning of situations where developing earth leakage could create an emergency. The alarm is operated when the leakage current being monitored exceeds a pre-set level which is adjustable to between

five and 50 per cent of the rated tripping current of the ELCB incorporated in the unit.

Domestic equipment can be examined for EL current while it is working using the company's new appliance EL tester, a compact hand-held unit with a meter.

Also introduced is a combined earth protection unit designed for situations where protection is needed against overload, short circuit and earth leakage. Contained within a weather-proof sheet steel surface cabinet are a current operated ELCB, a high breaking capacity current limiting circuit breaker and an earth line integrity unit which continuously monitors earth/pilot core loop and disconnects the supply at a pre-set level adjustable between five and 50 ohms.

More from the company at Wyrex Works, Wythenshaw, Manchester M22 4RA (061 988 5454).

SAFETY AND SECURITY

Protection of plant

SAFETY devices known as bursting discs for use in process equipment of all types with burst pressures ranging from 1 lb/in² to 1200 lb/in² are being offered by Graphite Equipment of 558 Stonefield Way, South Ruislip, Middlesex, HA4 0JZ (01-941 4311). Manufactured to comply with BS2915:1974, the discs can be used to protect plant and equipment which is working under pressure or vacuum conditions.

The discs are made of resin-impregnated graphite which is unaffected by the action of a very wide range of aggressive process fluids, and possesses several important advantages over metals as a material for the active element in bursting discs. Impervious graphite is dimensionally stable, and so does not

creep, swell, set or show other plastic deformation under pressure; its fatigue resistance is extremely high, so that it can withstand repeated pressure reversals up to 75 per cent of rated burst pressure over an indefinite period without failure. The discs can withstand process temperatures from minus 70 degrees C to plus 180 degrees C without loss of accuracy (up to 500 degrees C if a graphite equipment temperature adaptor is fitted) and are supplied from tested batches to guarantee accuracy. Each disc bears an individual reference number which enables it to be traced back to its origins, and also a legend, visible after installation, which displays that it has been fitted the correct way round in the relief line.

Protects the site office

PORTABLE cabins, site offices and materials storage sheds can be easily protected against intrusion with a simple, battery operated device offered by Intercity Electric and Mechanical Services, Bond Avenue, Blitchley, Milton Keynes, Bucks (0908 74971).

The system is based upon sensors made by Inertia Switch in which particular levels of vibration will operate an alarm. In one such design, a pair of gold plated spheres, of ball bearing size, rests on a pair of rails formed to slight "V" shape. The balls normally touch, but a given level of vibration will momentarily separate them, breaking a circuit. Such breaks are detected by an electronics box and this in turn activates an alarm.

HANDLING

Will deal with solids

PROMISED to be of benefit in the expanding, building, farming, quarrying or plant hire industries, because of its ease of maintenance, is the EPT Trash Pump available in the UK from Obart, Unit 2, Morton Industrial Estate, Swanley, Kent (Swanley 65353).

Made by Tsurumi, it is a heavy duty self-priming pump that will handle round solids of up to 38 mm depending on the pump used, by the use of deep bladed impellers that create such a suction and discharge force that any solid that is sucked into the pump is discharged and not thrown back or allowed to remain in the pump housing.

The pump is said to be designed so that any sludge or sand that is not discharged can easily be removed from the pump after taking off the front inspection plate (which allows access to the interior of the pump, including the impeller).

By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

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INSTRUMENTS

Checks data channels

THE NEW CCITT recommendations for the testing of data lines during installation and maintenance are met by the DLM-3 microprocessor controlled automatic measuring set from Wandel and Goltermann.

The instrument, which is entirely controlled by push buttons, can measure all the important parameters of a data line at the same time including gain, phase, hits, wideband or selective level, attenuation and frequency distortion, frequency, frequency shift and several others.

Control of the instrument can be external using an IEC interface. In addition, the instrument has non-volatile storage of measured values, push button keys for entering numerical values, presentation of a liquid crystal display, selection of fixed send frequencies and adjustment of the input/output impedance.

More from the company at 40 High Street, Acton, London, W3 (01-982 6791).

Measures thermal conductivity

AN INSTRUMENT which can measure the thermal conductivity of heterogeneous building materials and other insulation products in samples up to 24 x 24 x 6 inches in size has been introduced by Dynatech and is available in the UK from TEM Sales, Gatwick Road, Crawley, Sussex (0293 81244).

The instrument uses the guarded hot plate method. A main 2 ft square heater element is sandwiched between two identical samples of the test material and the whole is held under pressure by two water-cooled plate heat sinks. To counter loss of heat from the sides of the sandwich, peripheral guard heaters are employed. The equipment is then able to measure the rate of steady heat flow throughout a unit area, per unit temperature gradient, in the direction normal to the sample area.

When the test section has reached thermal equilibrium, the temperature difference across the two samples and the electrical input to the main heater are measured, and used to calculate the thermal conductivity of the sample.

Thermal conductivity, K, can be measured over the range 0.1 to 10 in imperial units to a claimed accuracy of plus or minus 4 per cent. Operational temperature range is 30 to 450 degrees F.

Typical materials that can be measured include concrete, composites, multi-foil insulation, honeycombs, faced panels and standard insulation materials. Options include automatic data acquisition, data reduction and automatic temperature programming.

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DKB'S ECONOMIC JOURNAL

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Japan's economy continues to manifest expanding tone despite uncertain factors

As the general meeting of the Organization of Petroleum Exporting Countries held in Caracas in December did not reach any consensus on price hike, it is not possible to forecast exactly how high oil prices will go up.

On the basis of information pieced from the Caracas meeting and oil-producing countries, it is, however, generally believed in Japan that landed price of oil will go up to \$30 a barrel, including freight and insurance fees.

In addition to the major price hike, the situations in Iran and Afghanistan provide sources of anxiety about how the Japanese economy will be this year. On the domestic scene, the Cabinet on December 29 adopted a budget draft for fiscal 1980 (to begin on April 1).

The budget draft indicates that the general account will amount to ¥42,588.8 billion, representing an increase of 10.3 per cent over the current fiscal year.

Likewise, public investment and financing programs will cost ¥18,179.9 billion, 3 per cent higher than in fiscal 1979. These rates of increase are substantially lower than in the previous years.

In short, the budget for fiscal 1980 will be an austere one aimed at recovering a balance, and it is not expected that public finance will play any positive role in stimulating economic activities.

Despite the lamentable factors, the economy of Japan is still maintaining an encouraging growth tempo. Mining and manufacturing production in November showed an increase of 1.2 per cent (seasonally adjusted) over the previous month, following a rise of 2.6 per cent in October.

The index forecast for manufacturing production in December was 0.1 per cent over the previous month, and that in January was 2.8 per cent over December. It is believed that this growth tempo will be maintained for some more months.

With the rise in production, the operation rate of manufacturing facilities is again showing an upward curve. Inventories have been increasing since last fall but not at an alarming rate because ship-

ments have been increasing.

Firm tone of plant investments and exports.

On the background of these encouraging indicators of industrial activities is a firm pace of plant and equipment investments.

An indicator of plant and equipment investments, shipments of capital goods (excluding transport machinery) in October showed an increase of 7.4 per cent over the previous month, and the figure further went up 7 per cent in November.

As a leading indicator of plant and equipment investments, orders placed for machinery (excluding shipbuilding and power equipment) rose by 1.9 per cent in September over the previous month, and it was followed by a rise of 26.1 per cent in October and a decline of 2.5 per cent in November.

Despite the drop in November, it may well be said that plant and equipment investments are still keeping an encouraging pace of increase.

In the meanwhile, exports have been and are visibly recovering. Although the decline of the yen's value makes export values expressed in the dollar look smaller than those in the yen, the weakened yen has given additional competitive strength to Japanese commodities on international markets and exports have been steadily rising since the middle of last year.

Furthermore, export prices expressed in the yen have been rising, and profits from export transactions have been improving. Exports in December rose by 11.5 per cent over the same month of 1978 in terms of the dollar, and by 38.2 per cent in terms of the yen. The export quantity index for the month likewise showed an increase of 13.6 per cent.

A "leading" indicator of exports, the value of letters of credit received is also keeping an encouragingly high level. It is likely that exports will continue to increase this year.

On the other hand, imports are rising even at a higher rate. Imports in December increased by only 1.6 per cent over the same month of the previous year in terms of quantity, but by 43.1 per cent in terms of

value in the dollar and by 78.1 per cent in the yen.

As a result, Japan's balance of international payments has continued to be in deficit by substantial amounts. As seasonally adjusted, the trade balance was in deficit by \$335 million in December, while the current balance was in deficit by \$1,295 million.

Declining personal consumption

While plant investments and exports are increasing, personal consumption and home construction are showing signs of declines.

According to a household survey, consumption expenditures of all households in Japan in November showed a rise of 5.2 per cent in nominal terms and only 0.3 per cent in real terms over the same month of the previous year.

There is no briskeness observed in personal consumption in some other sets of relevant records, such as sales of department stores and large-scale retailing organizations and the balance of Bank of Japan notes in circulation.

The low 0.3-per-cent rise in consumption expenditures in November in part reflected the unusually warm weather then for the month, but it more seriously reflected the rising trends of consumer prices.

It is believed that the consumer public will be more and more cautious about spending.

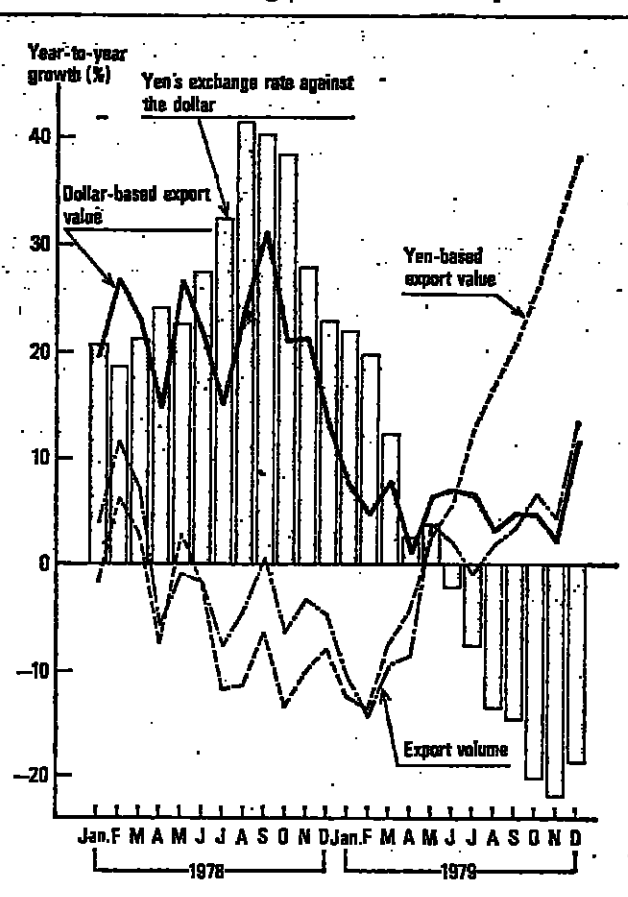
Private housing investments are remaining in the doldrums as far as construction starts go. In November, the number of housing units for which construction was started declined by 18.4 per cent below the same month of the previous year. It is not believed that home construction will show any recovery for some more time, due to rises in prices of tracts and construction materials.

Rises of wholesale prices

Wholesale prices are still rising rapidly. Due primarily to the rises in prices of oil and oil products, wholesale prices in December increased at a high rate of 1.8 per cent over the previous month.

As a result, wholesale prices showed an annual rate of increase of 17.5 per cent (the rate of rise in December, 1979 over

Year-to-Year Changes in Yen Rate & Exports



Note: Yen-Dollar exchange rate based on IMF formula

that in the same month of the previous year), and it was the highest rate of increase since the oil crisis. In 1979, the annual rate of increase was 29 per cent.

Unfortunately, wholesale prices will further rise, due to arrivals of higher-price petroleum at Japanese ports since the last year-end, which would certainly push prices of practically all kinds of commodities.

Consumer prices in Tokyo's city area in December increased by 0.5 per cent over the previous month and by 5.5 per cent over the corresponding month of the previous year, due chiefly to rises in prices of kerosene, gasoline and vegetables. Increases in wholesale prices are being reflected on consumer prices.

It is certain that consumer prices will further go up, be-

cause of the hike proposed for electric power, gas and some other public fare in addition to pressures from wholesale price increases.

Expansion and anxiety

Led by the continuing rises in plant and equipment investments and exports, the Japanese economy is in another expansion phase.

On the other hand, anxiety is rising about its near future because of the political instability in Iran, Afghanistan and other areas of the world, the hike in oil prices and the increasingly cautious attitudes of the consumer public.

It is hoped that Japanese economic policy makers will continue to be sufficiently flexible minded to meet changes to take place at home and abroad in order to lengthen the current growth phase.

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Tuesday February 26 1980

Italian Engineering

A healthy balance of payments surplus masks some profound problems in industry. Rising labour and oil costs, strikes and terrorism, plus a general disillusionment with government, offer no cheer. Yet many companies, particularly small and medium-sized ones, are flourishing, with impressive exports to prove it

Paradox of the worrying boom

By Rupert Cornwell

THE CURRENT state of Italian industry in many ways embodies the paradox of the country's economy. Last year Italy enjoyed what without doubt will prove to have been its best year since 1973, before the international oil crisis. Output, according to preliminary estimates, grew by about 5 per cent, the biggest increase of any major European nation.

In marked contrast to previous booms, this one has occurred without an accompanying collapse of the country's balance of payments. Instead, the 1979 surplus is likely to have reached about L4,500bn (\$5.6bn), down admittedly on the all-time record of 1978, but nonetheless one of the largest by a big industrial power.

But the average observer would be hard put to discern this from talking to most of the country's leading industrialists. What he would almost certainly find, instead, would be profound anxieties about a growing lack of competitiveness by Italian companies on export markets, complaints about the

near-impossibility of securing improved productivity, and fears about the problems thrown up by an inflation rate running at close to 20 per cent a year.

At the same time, relations between organised industry and Italy's powerful labour movement have taken a turn for the worse, while disillusion with the country's politicians and central Government can rarely have been greater. Nothing, the industrialists would say, has been done to get to grips with the chronic distortions of the Italian system—

inbuilt mechanisms to raise labour costs faster than in competitor EEC countries, and a seemingly uncontrollable public sector deficit.

Inevitably, in a country as complex and multi-faceted as Italy, both impressions are partly correct. It is a testament to the vitality of the country's industry that despite successive sweeping increases in the cost of oil, on which Italy is 70 per cent dependent for its energy requirements, its exporters have raised their sales by 9 per cent in volume in 1979, and provided the country with a virtual balance on its foreign trade, if insurance and freight costs are excluded.

And yet all this has been achieved with little aid from the Ministries in Rome, and against the background of a public sector whose difficulties if anything are getting worse. At the same time chronic problems such as absenteeism remain. Strikes—if without the stubbornness and bloody-mindedness of those in Britain—abound. And even more

tangible is the threat of terrorism. Fiat, Italy's largest private industrial group and symbol of Italian capitalism, obviously has been the prime target. Turin, moreover, is the centre of the national engineering industry.

In fact, what seems to be taking place is a profound transformation of Italian industry—whether for better or worse will be discussed later in this article. The broad developments over the past 18 months suggest that two distinct economies are gradually taking shape. One is primarily made up of big, usually state-owned groups, in loss-making industries such as steel and shipbuilding and heavily conditioned by the unions and the politicians. The other consists of the myriad small and medium-sized enterprises as efficient and dynamic as any in the world.

Flourishing

The first economy is struggling to compete, the second is flourishing—and for the time being seems to be winning. But the contrast is such that even Sig. Filippo Maria Pandolfi, the Treasury Minister, has publicly put it into a monetary metaphor, of two liras—the so-called "Fiat-lira" which operates for the major groups, and now even for the powerful Fiat after its very disappointing year in 1979, and the "Lira-Brambilla" named after the mythical north Italian small entrepreneur Sciar Brambilla (in Milanese dialect), for whom business is business and booming.

The distinction encapsulates the debate currently raging over whether the lira, suffering from an inflation rate more than double that of most of other European currencies, should be devalued within the European monetary system.

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much of Italian industry's leadership perhaps would not be averse to such a move, in the absence of any coherent government strategy to correct the inherent structural faults of the economy. But the triumphant export successes of the army of Brambilla—in such fields as clothing, textiles, jewellery, shoes and mechanical and engineering goods, argue in exactly the opposite direction. For the time being at least the second school of thought appears to be right. For the lira, despite a slip last winter, has remained at or near the top of the EMS since its inception in March, 1979.

But what are the prospects today? For the time being production is still running near the high levels of late 1979. In the last quarter of that year, plant utilisation reached 77.1 per cent of capacity, close to the 1973 high of 78.8 per cent. Moreover, investment spending in 1979 rose by over 6 per cent in real terms, according to preliminary estimates. The international slowdown and rising raw material costs make

it certain that Italy will suffer this year too; the question is when, and by how much.

The order books suggest that a high level of activity will continue for the first three or four months of this year, particularly for the investment goods sector. The outlook for the consumer sector depends largely to what extent demand will hold up after the growth of late last year, as buyers moved to anticipate expected price increases—a fear which has been fully justified. Thereafter, all is uncertainty, although the official forecast of only 1.5 per cent growth for gross domestic production in 1980 on current trends looks unduly pessimistic.

Bafflement

If there is a sense almost of bafflement, this reflects in good measure the underlying change which the economy is undergoing. The emphasis is shifting towards the small companies, less trammelled by union restrictions, generally self-financed and thus largely immune from the severe monetary policy operated by the Bank of Italy in the absence of any other workable government strategy.

Such has been their development that the classical defini-

tion of a northern industrial "triangle" suspended from Milan, Turin and Genoa probably needs to be amended to a pentagon. To the three original regions of Lombardy, Piedmont and Liguria, which powered the first Italian economic miracle of the late 1950s and early 1960s, should be added now the peripheral regions of the Veneto in the east and Emilia Romagna, to the south.

These two were little involved in the heavy industrialisation of the immediate post-war decades, but today are thriving, evidently highly prosperous regions, whose wealth is increasingly dependent on small and medium-sized industry. In turn, the smallest companies blur almost indistinguishably into the celebrated Italian "submerged" economy—escaping official statistics but operating in some highly sophisticated fields.

However, it would be unfair to ignore the improvements which are arduously being won in sectors recently symbolic of the plight of big industry. Fiat, it is true, has temporarily fallen from grace, as a result of low productivity and endless labour disputes—many stemming from the renegotiation of the metal and engineering workers' three-year national contract in 1979. But order at last is returning to the fibres sector, brought to its knees by the feuding in the so-called "chemical war" of the late 1960s and early 1970s.

Pirelli, whose tyre operations have been a longstanding headache to the company, has now launched a reconstruction plan, while Montedison, after a string of colossal losses, boosted sales by 32 per cent last year, and

but for its fibres operations would have been in the black for 1979. Nonetheless, for these, as well as every other major Italian group, there is one leit-motif of complaint and worry: the low level of productivity and the seemingly unbreakable escalation of labour costs. Low productivity means higher costs per unit of production, lower returns on investment, eroded competitiveness abroad and increased vulnerability at home.

Capital spending

Faced with these difficulties, major concerns are increasingly reluctant to initiate capital spending; plant might then become outdated, and the technology producers in emerging industrial countries grows larger. The unions, management imply, want investment, but not so much to boost output as to provide more jobs. But without the former, this argument hangs, the second in the medium term becomes impossible. Nor surprisingly, as government and unions have failed to deliver the goods of greater co-operation, Confindustria, the employers' association has noticeably hardened its attitude.

The way has been led by Fiat and Olivetti. The Turin-based car group sacked 61 trouble-makers on its shopfloor last October and temporarily suspended recruitment at all its plants. That last measure has now been partly rescinded, but Sig. Giovanni Agnelli appears so far to have won his calculated gamble. The organised unions were thrown badly off balance,

the courts backed him, and protest strikes called against the dismissals failed conspicuously.

In Ivrea, Olivetti is battling to push through plans to shed 4,500 of its 80,000 workforce by 1982 as part of the overhaul being carried out by Sig. Carlo de Benedetti, the electronics group's managing director. Indeed Sig. de Benedetti is perhaps the most outspoken champion of the new economic liberalism which is gripping Italy's employers.

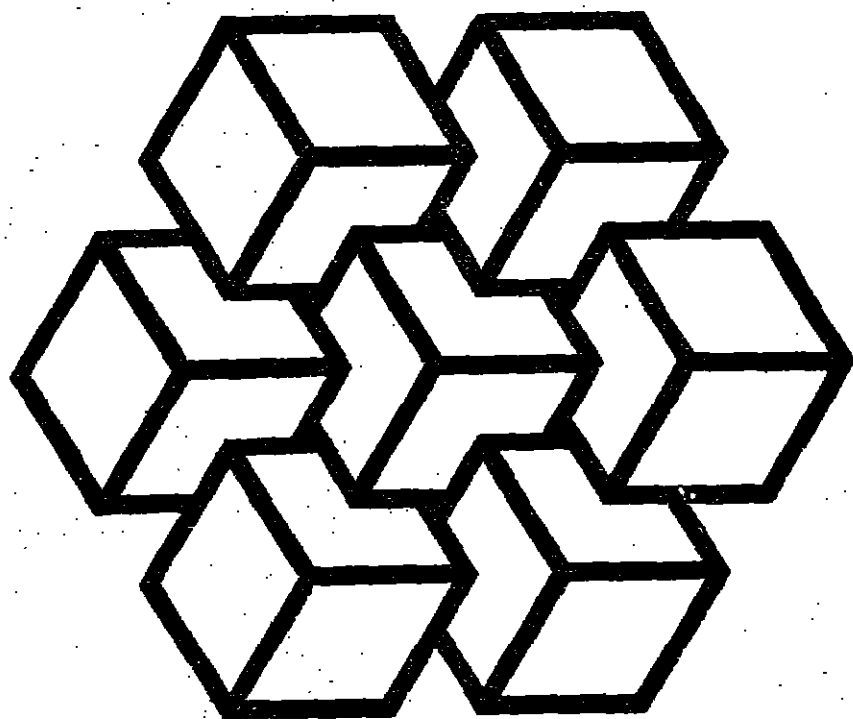
But the same logic underlies Fiat's move, which extended well beyond an effort to stamp out terrorism in its plants. Above all it was an explicit sign of the group's determination to boost its productivity, among the lowest of any major European car maker.

The new mood is one of disillusionment and exasperation, with the government and the political parties for failing to tackle wage escalation by at least modifying the highly inflationary *scala mobile* system of automatic wage indexation, and for failing to cut the public sector's colossal appetite for borrowing, which risks "squeezing out"—or at least making crippling expensive—lending to the productive sectors of private industry.

So far as the unions are concerned, the employers have reluctantly concluded that for all the moderation espoused by their leaders, in terms of lower pay demands and agreement in principle on greater job mobility and working hours flexibility, this has not been reflected in what actually has happened.

CONTINUED ON NEXT PAGE

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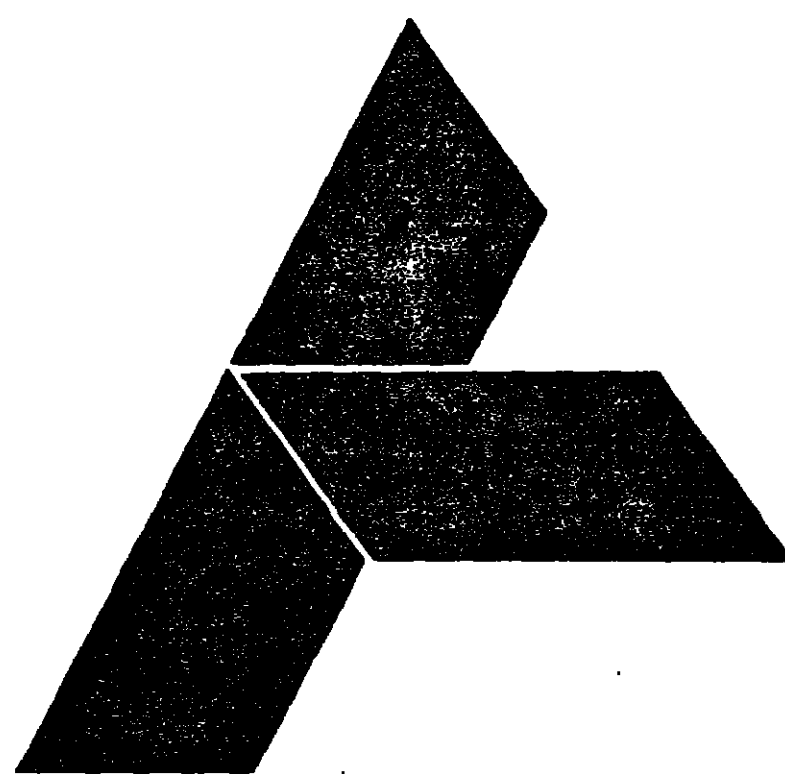
companies in such industries as the automotive (Alfa Romeo), thermo-electromechanical and nuclear power (Ansaldo, AMN, Breda Termomeccanica), aerospace (Aeritalia), diesel engines (VM, Isotta Fraschini), plant engineering (Termomeccanica Italiana), diversified mechanical products (Salmi). Finmeccanica can help you in everything from basic research and

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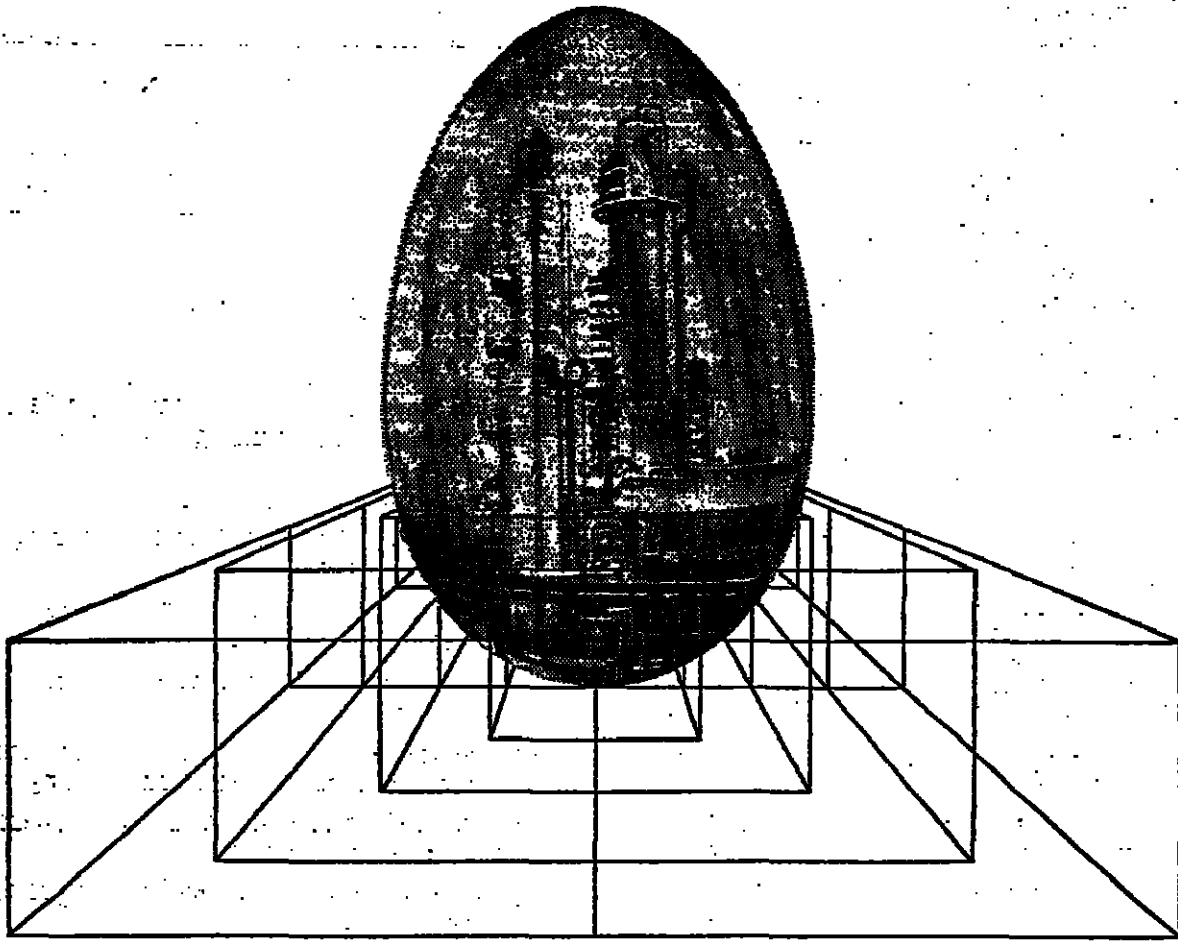
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ITALIAN ENGINEERING II

Motor industry changes shape for the 1980s

THE PAST year has been particularly eventful for the Italian motor industry. In particular Fiat has finished reorganising its structure so that the car business now stands autonomous, and has begun taking the necessary steps to become a world car producer in the 1980s.

Fiat has also tightened its grip on IVECO, already the second - largest commercial vehicle manufacturer in Europe. And it has been attempting to deal with the severe problems of low-productivity and high indiscipline at its plants in Italy.

At the same time Alfa Romeo, the State-owned part of the industry, has at least been making attempts to get itself into shape for the 1980s and has accepted that it cannot survive as a completely independent organisation but needs a partner, or partners. And the possibility that Alfa might choose a Japanese partner, Nissan, has made Fiat wonder if it should change its mind about getting closer to its competitor.

Fiat already ranks about eighth in the world league of car and truck producers but has been some way behind its main competitors in North America and Japan—in unit sales terms at least. And the motor industry is one where extra volume usually means higher profitability.

Now Fiat is capitalising on all the international links it has established over the years when it was forced to look outside Italy for growth because it had—and has—such a dominating position in its home market.

It has embarked on a \$5bn, five-year programme to rationalise production and review its products.

Fiat will split its future output of components between plants in Italy, Spain, Latin America and Poland so as to gain the greatest economies of scale. This project will absorb about one-third of the \$5bn.

Vast scale

Given that there really will be no such thing as "world cars" but only world components to be made on a vast scale, the programme will firmly establish Fiat as a "world car" maker. The components can be assembled into cars tailored to meet the individual requirements of particular markets.

The rationalisation programme has been made possible by Fiat's acquisition last year of a majority shareholding in SEAT of Spain and an accord with Poland, ratified in June.

In future both SEAT and Polski-Fiat will make cars as up to date as the rest of the Fiat range—something which has not been the case so far. In effect this will add more than 500,000 cars a year to Fiat's output of about 1.4m from Italy. When the Argentinian and Brazilian plants are brought into the picture Fiat has the 2m-a-year production which the industry considers is necessary to gain the greatest economies of scale.

Another \$2bn of the \$5bn will be spent to renew or update the entire Fiat car range and that of the Lancia subsidiary by 1982. There was certainly a disturbing lack of new products from Fiat during the 1970s. Following the launch

of the 127 in 1971, not much else arrived until the Ritmo/Strada last year.

However, the Panda, a "cheap to make, cheap to run" car which will offer a lot of space in spite of being little larger than a 128—the baby of the range—has just been launched in Europe. Designed for city driving, not so much motorway work, the body is high, allowing the use of large doors for easy access, and there is a fold-down, take-out rear seat to provide extra load-carrying capacity.

Fiat expects the Panda to be as successful as the 127—for many recent years the top-selling individual model in Europe. Because it is so cheap to produce, using flat instead of curved glass for the windows, for example, the Panda should make Fiat a handsome profit.

The question still remains, though: will the group be able to make enough of them?

towards proper economies of scale in its commercial vehicle operations five years ago when it set up IVECO which brought together its own bus and truck businesses—including Unic of France which it acquired some time before—and Magirus Deutz, then a subsidiary of Klockner-Humboldt-Deutz of West Germany.

KHD retained 20 per cent interest in the combined group but in January this year sold out to Fiat. The German group intends to concentrate on making its air-cooled diesel engines, agricultural tractors and other agricultural equipment from now on. But it has a five-year agreement with an option to continue for another five years to supply its engines to IVECO as a "preferred supplier."

IVECO in 1978 produced about 109,000 commercial vehicles of over 3.5 tonnes gross weight. Daimler Benz,

Greater threat

Some other European manufacturers see this proposed arrangement in the same light as BL's deal with Honda: a backdoor entry to the Common Market by the Japanese via financially weak European companies.

For Fiat the threat is greater than for other European makers. The Japanese make the same type of small cars which have been Fiat's main speciality. They have been virtually excluded from the Italian market by an agreement which goes back to before the Treaty of Rome and so can continue to operate.

So, although in the past Fiat has not been interested in any kind of really close links with Alfa, it is now having serious second thoughts.

Another essential element in the programme will be a big increase in productivity at the group's troubled Alfa Romeo plant in southern Italy. But it remains to be seen whether the unions will go along with the management's proposals.

Alfa's poor financial performance is certainly no help in its search for joint ventures. But the management says that the Alfa car plant in the north of Italy should break even this year and break even at the Alfa Romeo plant should be reached in 1984.

Alfa produced about 225,000 cars in 1979, similar to the previous year, in spite of the metal workers' dispute in Italy which lasted eight months and had a considerable impact on both Alfa and Fiat. In 1980 output should reach 250,000 vehicles and by 1984 260,000 to 300,000 of models in the current range. Much might be added. (In Italy there have been suggestions that a restyled Alfa Romeo, with a hatchback, might be on the way early next year.)

Alfa's president, Sig. Ettore Massaccesi, said recently: "Alfa many other companies in the industry, ours is engaged in a serious effort to place itself on a sound footing and this effort should bear fruit in the next four years."

"At the end of that period, Alfa's financial situation and output should stabilise."

Ken Gooding



The newly-launched Fiat Panda, which the company hopes will be as successful as its 127 model.

Output from the Fiat plants fell by 3,000 cars to 1.32m in 1979, a year in which the group could have sold everything it is capable of producing thanks to the extremely buoyant market conditions in most European countries.

Sig. Giovanni Agnelli, Fiat's chairman, claimed recently that last year the low productivity and bitter industrial disputes cost the group about 200,000 cars. That is equivalent to the annual output of a fair-sized modern plant.

Fiat last November dismissed 61 active trade unionists claiming they "had contributed to the climate of intimidation and violence inside the plants."

Since then, Fiat insists, the atmosphere at the plants has improved considerably. The group has also taken a stand against a law in Italy which makes it necessary to recruit employees from a State agency. The agency assesses candidates by taking into account social need and other factors.

Fiat maintains that, while this is socially laudable, it is impracticable. Often the people sent by the agency are entirely unsuited for the job for which they are required.

In protest, Fiat has stopped recruiting in the northern plants—except for a few essential people—and did the same in the south for some time. However, recruiting has begun again in the south.

Obviously we have not heard the last of either Fiat's stand against this system, or its attitude towards some of its trade unionists.

Fiat took the necessary steps

Europe's biggest truck maker, made 240,000, including 66,600 produced in the German group's Latin American plants.

Together with Renault of France and its Italian neighbour, Alfa Romeo, it has set up a joint venture called SOFIM

to produce lightweight diesel engines which can be used in cars as well as vans and light trucks. And with Peugeot it is setting up a van manufacturing plant, called SEVEL, due to begin production in 1981 and thought to be aiming for an annual output of 30,000 vehicles.

Fiat's car business is spending a healthy 5 per cent of turnover on research and development, but is still looking for suitable joint ventures when possible. In the past year, for example, it has pumped in the money into the Van Doorne automatic transmission concern in Holland which is working on an infinitely-variable automatic transmission.

Latest engine

Borg-Warner, itself heavily involved in automatics, put up some cash at the same time. Fiat also bought an option to employ the technology of Yamaha of Japan uses in its latest engine, known as the YICS (Yamaha Injection Control System).

If Fiat, with its substantial financial base, finds it worthwhile to look for joint developments and shared technology, it is no wonder that Alfa Romeo, Italy's perennial loss-maker, has decided to take this particular route.

Alfa's survival programme is designed to return it to profit.

Paradox

CONTINUED FROM PREVIOUS PAGE

Labour leaders in fact have been challenged in their stance by a more militant rank and file, unwilling to accept the sacrifices implicit in moderation. For their part, the Communist Party (PCI) the political expression of the Italian working class, has been shaken by last summer's sharp reverse at the general election, caused largely by desertions on its Left in protest at the concessions made in the PCI's efforts to secure the "historic compromise" and entry into government.

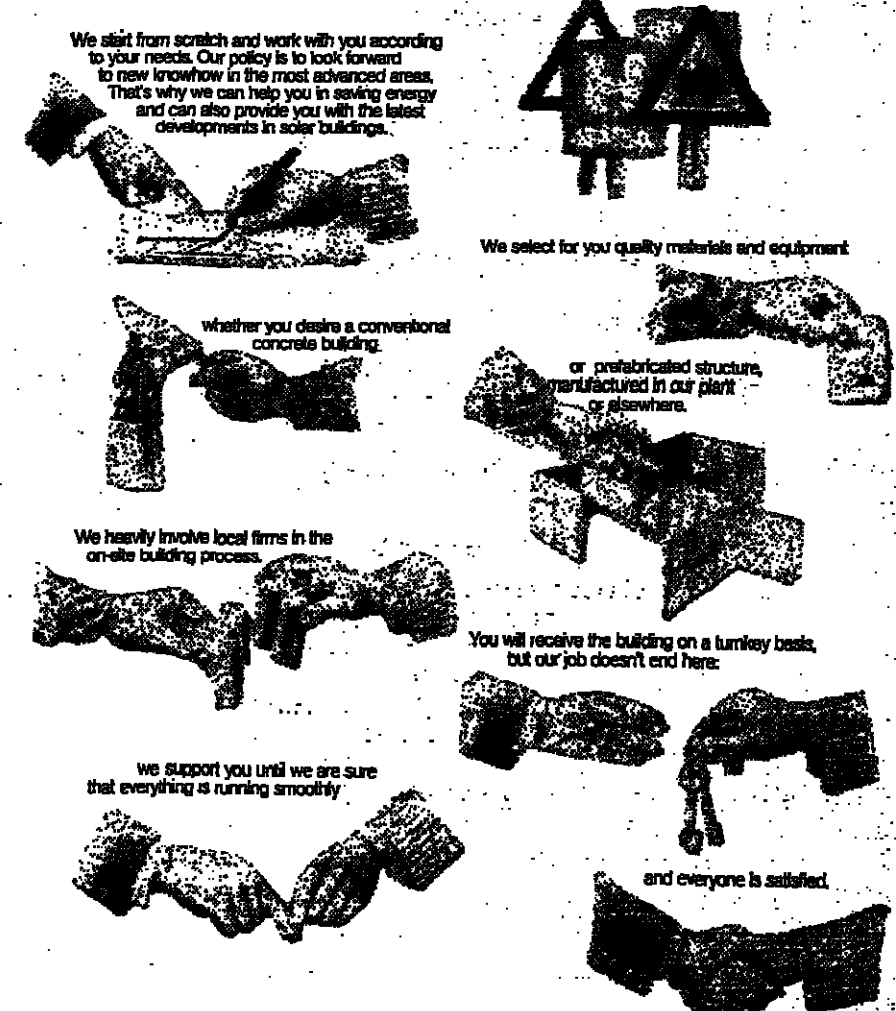
The result, inevitably, has been an absence of any more concrete moves to improve industrial relations. Industry therefore, sensing too a reluctance on the part of the Left and the unions to provoke a real showdown, has acted on its own.

The changed climate is reflected in the difficulties Confindustria now is experiencing to find a new president to replace Dr. Guido Carli, former Bank of Italy governor, who for four years has been the embodiment of industry's strategy of trying to reach an accommodation with the unions. His term expires in May, but months of increasingly frantic soundings have failed to identify an agreed successor.

Many likely candidates from industry's ranks have turned the job down, anxious not to leave their own companies for the uncertain rewards of a seat close to political power in Rome. This determination to remain in industry proper is proof of another attitude in the private sector's new mood: that if others cannot help it, it will have to help itself.

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Long-term energy plan needed

RELATIVE TO its size and industrial ambitions, Italy is poorer in energy resources than any other country in Europe. It has had therefore to rely predominantly on crude oil imports — now increasingly scarce and expensive — to cover the country's overall annual energy needs. Indeed, oil imports currently account for as much as 75 per cent of the country's annual energy requirements.

This dependence on imported oil, which cost the country more than \$10bn last year, has in large measure forced Italy to be at the forefront of energy technology and exploration. In turn, this has led to the creation over the last two decades of one of the most advanced and well-equipped industries in the energy field in the industrialised world.

At the same time, until the closure of the Suez Canal and the subsequent advent of the supertankers, Italy also saw itself ideally placed geographically to become a major oil terminal for Europe. Coupled with a government strategy relying on petrochemicals as one of the three major sectors together with telecommunications and steel for the rapid industrial transformation of the country, this led to a sharp growth in Italian refinery capacity — far greater than the country's domestic requirements.

Against this broad background, a series of important engineering concerns grew around a nucleus of state and private chemicals conglomerates and around the state hydrocarbons agency, Ente Nazionale Idrocarburi (ENI). Increasingly too, these engineering companies looked abroad to export their technologies and equipment, as well as satisfying the basic demands of the internal market.

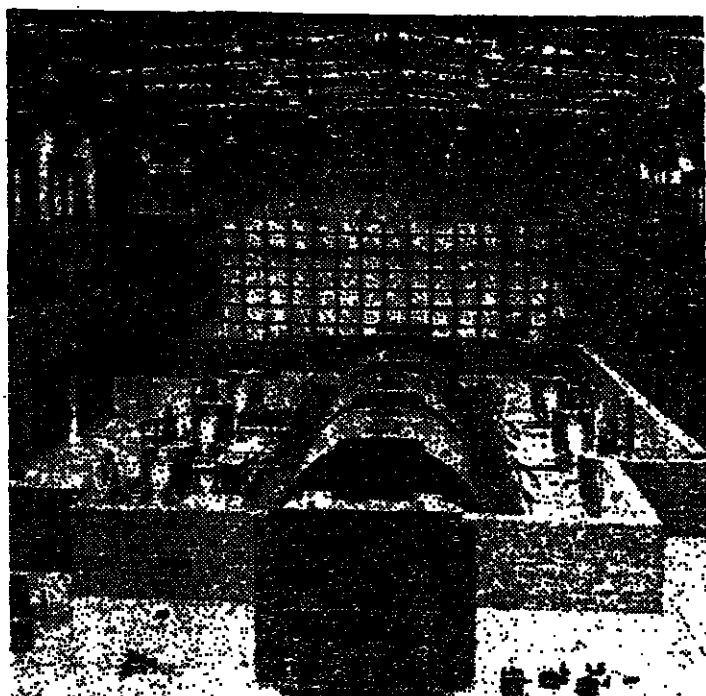
Moreover, it has been a traditional policy of successive Italian governments to negotiate better deals with oil-producing countries to guarantee Italy adequate oil supplies. These deals have in general involved the export of Italian technology in return for crude, and in other cases joint exploration and drilling agreements between the state oil group and oil-producing countries.

New markets

Leading ENI engineering subsidiaries, such as Saipem, Snamprogetti, and Nuovo Pignone, have all enhanced their presence in the new markets of the oil-producing countries of the Middle East, Africa, South America and now China. ENI was also the first Western oil company to negotiate an oil supply deal with the Soviet Union, which in turn opened the way for major Soviet orders not only from Italian energy and petrochemical industries but also from other industrial groups not specifically operating in the energy sector.

In Libya, Saudi Arabia and other Middle East countries, ENI subsidiaries like Saipem have been active in constructing refineries, while other Italian groups in the energy sector have won major pipeline orders and important contracts for the construction of desalination plants.

To boost supplies of crude oil



Inside the Caorso nuclear power station: at present Italy's only functioning major nuclear station

and natural gas to Italy at a time of growing alarm over a possible pronounced oil import shortfall this year. ENI has also undertaken a number of major new collaboration ventures in oil-producing countries, while continuing its oil and gas exploration and extraction activities in Italy and off the Italian mainland in the Sicilian channel near Ragusa. The Milan chemical conglomerate, Montedison, has now also begun to extract oil, though in small quantities.

Of all the ENI collaboration deals, the most ambitious is undoubtedly the construction of a 2,500 km natural gas pipeline from the Algerian desert gas field of Hassi R'Mel, through Tunisia, under the Sicilian Channel and across the Straits of Messina to Italy as far north as Minerbo, near Bologna. Work on the pipeline, which will supply Italy with about 12bn cubic metres of gas a year from 1983, is already at an advanced stage. The Trans-Mediterranean pipeline, as it is called, exploits Italy's advances in the techniques of pipe-laying in deep water.

Among these, is the Castoro Sei—or Beaver Six—deep-water pipe-laying vessel built by the San Marco shipyard in Trieste for Saipem, which claims it is now leading the world in this sector of technology. While there are two other pipelayers—both American—the Viking Piper and the Semac—which are equally advanced technologically. They operate down to only about 1,000 feet, while the Castoro Sei will be operating at depths of 1,600 to 1,700 feet on the Trans-Mediterranean pipeline project. This, according to Saipem, is well within the vessel's capacity which is claimed to exceed 2,000 feet.

Italy's heavy dependence on imported energy has also meant that the country has for some time been looking towards alternative energy sources. Indeed, in solar energy Italy is among the pioneers, as is the Italian state-controlled Ansaldo energy engineering group. Moreover,

pleted, but has had serious start-up difficulties and has yet to function at full capacity.

AMN is also working on construction of a twin BWR plant at Montalto di Castro, near Rome, which is to have a total capacity of 2,000 MW. But these are the only two main projects in the nuclear field which Italy has so far approved after ten years of debate.

However, the Italian Government has recently drawn up a new 10-year energy plan aimed at guaranteeing the country sufficient electricity supplies through the construction of a series of nuclear, hydro-electric, thermal, turbogas and geothermal plants. The programme, if approved this time, will enable the state electricity utility, ENEL, to nearly double its present annual electricity capacity of 40,000 MW to 75,000 MW in 1990.

The plan envisages investments by Enel during the first five years of L20,600bn for construction by 1985 of five twin-reactor nuclear power stations starting with an overall capacity of 10,000 MW, a series of coal-fired stations with a total capacity of 13,500 MW, hydro-electric plants of 1,900 MW, turbogas stations of 1,130 MW and geothermal plants of 100 MW. The main target of the plan, coupled with substitution of coal for fuel oil in other thermo-electric plants, is to reduce the oil quota of the primary sources converted into electric energy from about 70 per cent last year to 42 per cent in 1990.

Despite a threatened national referendum on the nuclear issue by the small Left-wing radical party and calls for further consultations by the Left-wing parties and the trade unions, the Government appears intent this time on going ahead with its nuclear programme. Sig. Antonio Bisaglia, the Industry Minister, warned that Italy could no longer afford to continue on its past day-to-day policies towards its long-term energy problems. "It is not a question of drawing up plans. We have plenty of these. It is now a question of finally

implementing the nuclear programme."

According to the plan, the Government is proposing to build five twin-reactor plants with an overall capacity of 2,000 MW, to be sited in Piedmont, Lombardy, Friuli-Venezia Giulia, Molise and Apulia. These would be added to Italy's three small first-generation nuclear plants built in the 1960s with a total capacity of barely 600 MW, together with the second-generation 550 MW plant at Caorso and the Montalto di Castro twin-reactor plant now under construction. If the five new nuclear stations are finally built, Italy will be able to increase its overall nuclear capacity in the 1980s to 13,450 MW.

At the same time, the Italian Government has also asked Italy's two major nuclear suppliers—the state Finmeccanica group and the Turin-based Fiat conglomerate—to reach an agreement to rationalise and co-ordinate production activities for the construction of the new nuclear plants by the end of March.

Different licences

At present, the two groups operate on different U.S. licences. Finmeccanica owns a General Electric BWR licence, while Fiat controls the architect-engineering pre-qualified water reactor (PWR) Westinghouse licence.

Although both the completed Caorso plant and the 2,000 MW twin-reactor plant at Montalto di Castro are based on the BWR licence, the Italian Government now appears to prefer the Westinghouse PWR system for the five new-generation, twin-reactor nuclear plants.

To this end, negotiations are now at an advanced state between Fiat and Finmeccanica to set up a joint company for the construction of the new nuclear plants. The joint company is expected to be controlled by Finmeccanica, whose manufacturing activities in the nuclear sector are substantially larger than those of Fiat's.

Paul Betts

Delayed approval

Yet should it overcome opposition to nuclear plants, Italy already has a well-prepared industry to undertake a sizeable programme. Encouraged by the logic of earlier nuclear energy proposals, heavy industry, much of it state-owned, invested substantially in nuclear production capacity. But in view of delayed approval of a national nuclear programme, it inevitably has suffered from a lack of government support. In turn, it has had to rely on exporting its technologies to keep going.

The three main companies involved in the nuclear sector are Ansaldo Meccanica Nucleare (AMN) and Breda Termomeccanica — separate arms of the state-owned Finmeccanica group — and the privately owned Fiat company.

So far, AMN has been involved in the construction of the nuclear plant at Caorso, near Milan, built under a U.S. General Electric boiling water reactor (BWR) licence. This plant, with a capacity of 550 MW, has now been com-

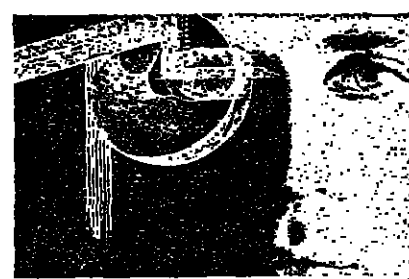
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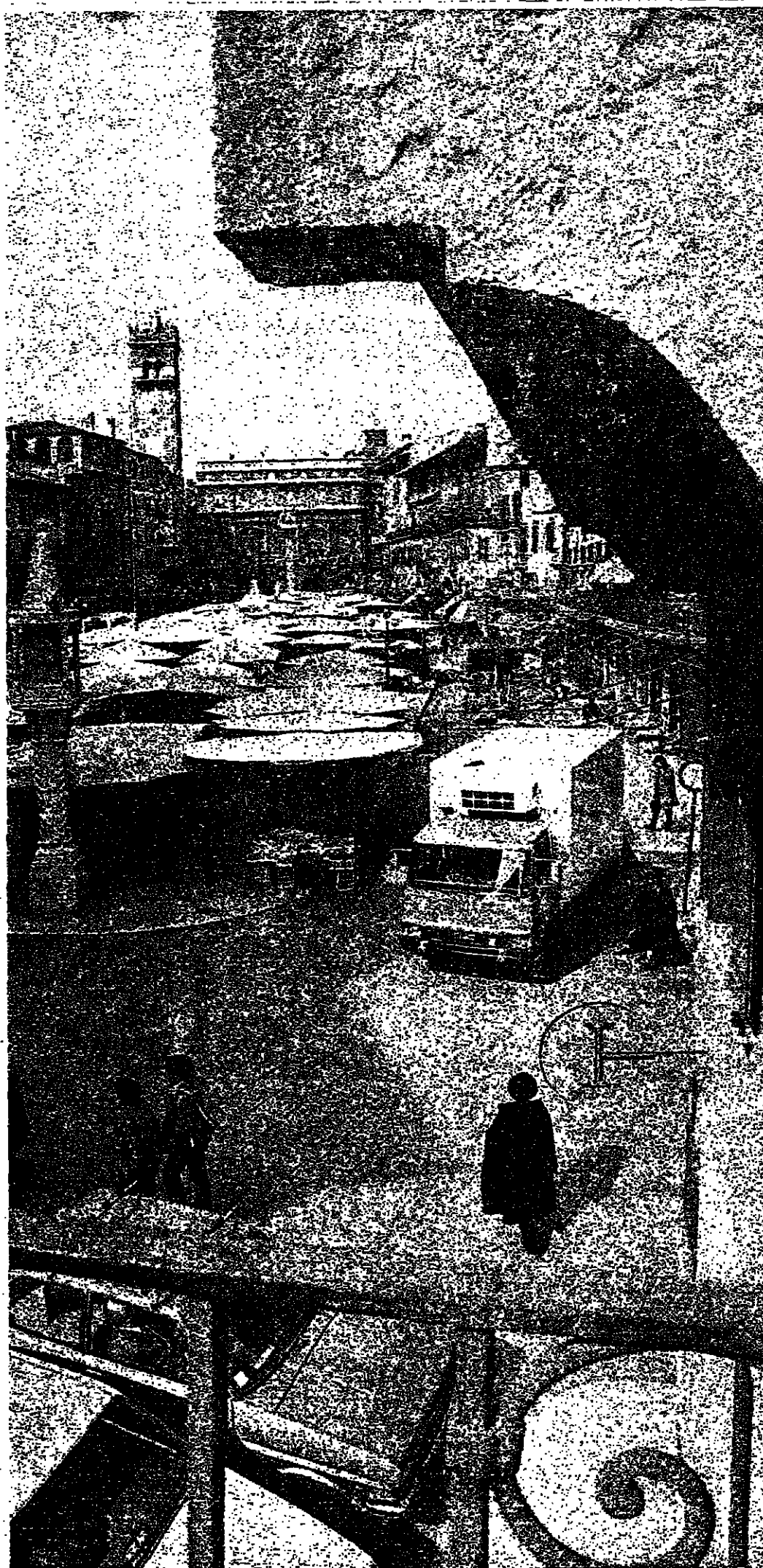
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ITALIAN ENGINEERING IV

Civil engineering boom ends

THE EXTRAORDINARY boom of overseas business for the Italian civil engineering industry, which throughout the late 1970s made up for a stagnant domestic market, now appears to be drawing to an end. After multiplying almost 50-fold, from L70bn (\$87m) in 1970 to a record L3,100bn (\$3.8bn) in 1977, new foreign orders dropped by a quarter in 1978 to L2,250bn (\$2.8bn), and although the final figures for last year are not yet assembled, a further decline seems almost certain.

In a sense the changed trend is but a return to normality after the headlong expansion of the early OPEC years, which saw the rich oil-producing nations account for two-thirds of new orders in 1977. But there are a number of other ominous pointers that this sector of Italian industry, of the utmost importance for the country's foreign trade, may be facing a much tougher ride in the next few years.

In the first place the long-standing problems of the industry at home remain. The building sector, for all the chronic shortage of new homes, particularly at the cheaper end of the market, is in a state of permanent crisis. The legal obstacles to its operations were well illustrated by this month's constitutional court ruling which, in effect, threw out the main law governing land purchase by the state. And Italy's public authorities, when they do place contracts, are notoriously slow payers, even though there are some signs of an improvement on this front.

The civil engineering industry therefore has been forced to look very much overseas for its survival and the new work required to keep active a total workforce including subcontractors estimated at 500,000. There are many reasons for the success with which Italian groups seized the unique opportunities of the 1970s. A generally weak lira, especially after the virtual breakdown of the fixed exchange rate system in 1973, gave the industry a strong price-competitive edge. Moreover, an inherent attitude for heavy engineering is in the Italians' blood—as a quick consideration of the massive

Roman constructions which still litter the landscape of the entire Mediterranean basin will testify. In many ways Italy is still a developing country, and characteristics which easily can appear in North European eyes become virtues of comforting familiarity to the Third World. The readiness of Italians to migrate for work within their own country has meant (at least until recently) that they have been relatively ready to travel for lengthy periods to foreign countries to work on projects.

Comparatively free from a past of oppressive colonialism, Italy's major groups have won a less suspicious welcome in newly independent states. In addition, the presence of a strong Communist party, which has extended its influence into business, has helped to open up markets in countries with strongly Left-wing regimes in power, and behind the Iron Curtain.

Key element

Interloop, for instance, an arm of the Left-dominated Lega (League) Delle Co-operative, is often a key element in such deals. One of its divisions, CMC, is a near-constant thread in dealings with Algeria, where about L300bn of Lega-related contracts are in progress. The Lega is intensifying its activities in Mozambique and Angola, both potentially rich African states with Marxist governments.

Closer to home, involvement by the Lega has paved the way to a great number of contracts in the Soviet Union and the Eastern bloc, often of the medium size which do not make newspaper headlines. The latest move in that direction was the launch of a consortium comprising Conaco, the Lega's construction arm, alongside such companies as Montedison (of the Montedison chemical group) and the privately-owned Dal Vera and Merloni concerns, to bid for new hotel and tourist development projects behind the Iron Curtain.

The timing of the announcement was also significant, towards the end of January, at the height of the controversy over economic relations between East and West, following the

Soviet invasion of Afghanistan. The message was clear enough: despite the evidence of a new cold war, as far as Italian industry is concerned, it's business as usual.

Nonetheless, times are changing, and clearly for the worse in export markets. The latest round of OPEC price increases has hit the developing world harder than any other countries, and by doing so can only jeopardise prospects of big new orders from these potential markets as more precious foreign currency goes to purchase ever more costly oil.

At the same time, the upheavals in Iran and elsewhere have dimmed the industry's prospects—even though Condotte d'Acqua, the subsidiary of the state-owned IRI conglomerate, and one of the biggest Italian civil engineering groups, seems to have been more fortunate than many in managing to hang on to a fair share of the Bandar Abbas steel works and port development contract it won when the Shah was in power.

Equally menacing is the growing challenge from recently developed nations which are starting to export their own civil engineering expertise—Brazil for one, but above all South Korea, which is assuming the proportions of a new Japan in some of the Middle and Far Eastern markets where Italian groups have hitherto done well.

South Korea, according to European sources, can undercut Western tenders by sometimes as much as 25 or 30 per cent, thanks to lower labour costs and the ability to hold prices steady for two or three-year periods. One estimate is that recently that country has been winning up to 35 per cent of the rich Middle Eastern market. Meanwhile, as Italy itself grows steadily (and visibly) more prosperous, despite the misleading frequency of Government crises and endemic political stalemate, it is becoming harder to find people willing to spend time abroad, despite the very high expatriate pay rates on offer.

In the last two years also, Italian industrialists in the sector have complained about poor export credit and guar-

antee facilities from the Rome Government. Last August, however, the ceiling on export credit guarantees was lifted to L4,500bn (\$5.5bn), and coverage for political risks (essential in the Third World) lifted from 50 per cent to 85 per cent.

Lurking risk

In the background too lurks the risk of reduced competitiveness—or at least a squeeze on margins—as a result of the relative strength of the lira, since March 1979 within the European monetary system (EMS), and for a long period one of its star performers. When contracts are dollar denominated, this danger is all the greater.

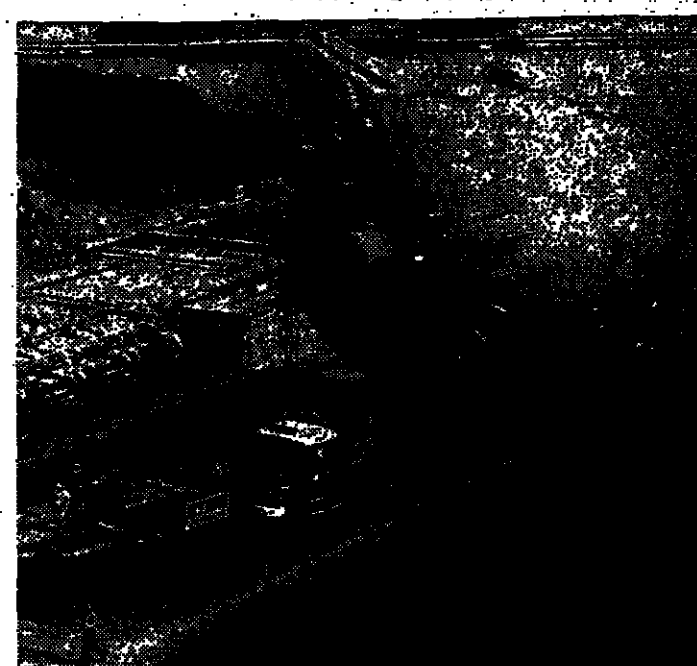
However, the industry today is in a stronger position to resist than it was 10 years ago. Two decades of experience, and a proved track record of reliability and quality are now buttressed by a sound national financial position, which offers a cushion for risks that do have to be taken.

Most important of all perhaps

is the structure of the industry itself. Most of the engineering concerns — FIAT engineering, Condotte, Snamprogetti (part of ENI, the state energy corporation) and Conoco, for example, are all part of much larger industrial groups. This in turn often allows Italian contenders for an order to offer a comprehensive package, bringing in required skills and technologies from other parts of the group, with a greater flexibility and adaptability than their rivals.

This formula is much criticised in Italy for its unwieldiness and inefficiency, but as far as civil engineering orders abroad are concerned, the reverse appears to be true. In any case these "package" deals are an important component of the advantages Italy seeks to offer when concluding bilateral oil supply deals abroad. ENI, for example, can offer technological co-operation with the supplier country, not just from within Italy, but from within its own group.

Rupert Corawell



A huge vessel is delivered to the £300m fluid catalytic cracker unit being built at Pembroke, South Wales, for which Snamprogetti is the main contractor. Completion is due early next year.

High exports of machine tools

THE ITALIAN machine tool industry is the product of the re-birth of Italian industry in the 1960s. This gave it a strong start over the more aged machine tool industries in western Europe, which have found it necessary to adjust constantly to the changing requirements of their industries in the post-war period.

The Italian industry's advantage is that it grew up around the needs of the expanding automotive, domestic appliance and electrical industries, during a surging growth period. From the start, therefore, the machine tool industries in westward the need to produce the sort of equipment that was required by industry. In many cases, this was done on a very localised basis. The structure of the industry in Italy today still reflects the nature of its start; a predominance of small companies specialising in particular products.

Since those days in the early 1960s, the industry has grown significantly. Italy is now the fifth-largest producer of machine tools in the world, with output in 1978 totalling L900bn (\$484m). At this level, it is producing about 40 per cent more than the UK, Switzerland and France, all of which have machine tool industries dating back much further than Italy. Although Italy is a fairly large consumer of machine tools (ranking seventh in 1978 according to statistics compiled by American Machinist and individual trade associations), it has a sizeable production surplus which is destined for export. In 1978, it exported machine tools to the value of L506bn, putting it fifth in the world exporting league.

In 1979, this figure rose to an estimated L570bn, a 17 per cent increase over the previous year after allowing for inflation. The estimated value of production in 1979 was L1,100bn, only 3 per cent higher than 1978 at constant prices.

A high export ratio is a common feature of the European machine tool industries. Italy, exporting about 55 per cent of production, ranks after West Germany, exporting 65 per cent, but higher than the UK (about 50 per cent). Imports went up by about 10 per cent last year, but as a percentage of total sales of machine tools in Italy, they represent only 29 per cent. Corresponding figures for France are approximately 48 per cent, the UK and Switzerland at 47 per cent, and the U.S. at 21 per cent.

The most recent breakdown of Italian exports of machine tools is for 1978. It shows the Soviet Union as the largest single market, followed by West Germany, France, Romania, Brazil, the UK and Poland. The importance of the Comecon markets bears some relation to

various projects that are being carried out by Italian industry in these countries. For instance, Fiat advised on the recent expansion of the Soviet automotive industry.

The technological content of Italian machine tools has always been high, emerging as it did from the predominantly small firms rather than large corporations. Today, Italy shows that it has adapted probably faster to the needs of customer industries than other European manufacturers.

About 20 per cent of machine tool products are numerically controlled—mostly lathes and machining centres which have proved to be the growth products of the late 1970s.

At the European machine tool exhibition held in Milan last autumn, many manufacturers took the opportunity of launching their latest numerically-controlled equipment on the market. They also included a fair sprinkling of robotics, dominated by the now-famous Fiat assembly lines using robots.

Fragmented

However, the still largely fragmented structure of the Italian industry is causing some concern to its well-organised trade association, UCIMU. While it is recognised that the structure was invaluable during the severe worldwide downturn in 1975-76, allowing a degree of flexibility denied to larger companies, there are fears that the industry will not be able to stand up to the relatively high volume production of some of its competitors.

Japan, which has turned its exporting attention almost exclusively to numerically-controlled lathes and machining centres, can offer its products at prices which are generally lower than European or American producers. So far, Japan has not sold much in Italy, but the Italian industry expects that it will soon turn its attentions towards the Mediterranean countries.

Small companies can also be at a disadvantage as export producers, particularly as customers in certain industries increasingly want to be supplied with whole manufacturing systems linking together machine tools. This sort of package, which can also involve finance, needs to bring together several small companies, each with their individual speciality. UCIMU is trying to promote such consortia for export deals, and also to bring together companies for the purpose of developing technology, and more efficient use of their own plant—machines, for instance, which are idle being hired out to other manufacturers. UCIMU thinks this co-operative effort is essential if the companies are not to be swamped by

large corporations in the world markets.

The individualism of the small manufacturers makes the UCIMU's task quite difficult, but it is expected that manufacturers' awareness of the problems of exporting will bring them round to it. UCIMU rules out any suggestion that the industry needs restructuring, preferring to preserve the innovative spirit of the small company. It is also notable that they tend to be more profitable than their larger brethren.

Machine tools are an essential sector of manufacturing industry. Italian engineering has been a growing force in Europe, tending to specialise in those

areas with growth potential. The industry's advantage is that it has not been shackled by out-of-date equipment as in the older developed economies of Europe, and investment in machine tools has been high.

The growing problems in Italy's domestic economy, however, are putting pressures on the machine tool industry. The high rate of inflation, labour unrest, and then difficulties emphasise the need for the industry to maintain its high export levels if it is to survive at its current size.

As with the rest of Europe, where the machine tool industry is considerably larger than the requirements of their domestic

markets, this must mean continuing emphasis on advanced technology machine tools.

Statistics show that in Italy, more than most other European countries, the machine tool industry has specialised. This means that the requirements for certain types of machines, for example, gear cutting machines, has to be met almost entirely by imports.

International specialisation in machine tools is growing, but for Italy, as for every other country, it means that its manufacturers must be in a position to develop its specialist technology if it is to retain its lead.

Hazel Duffy

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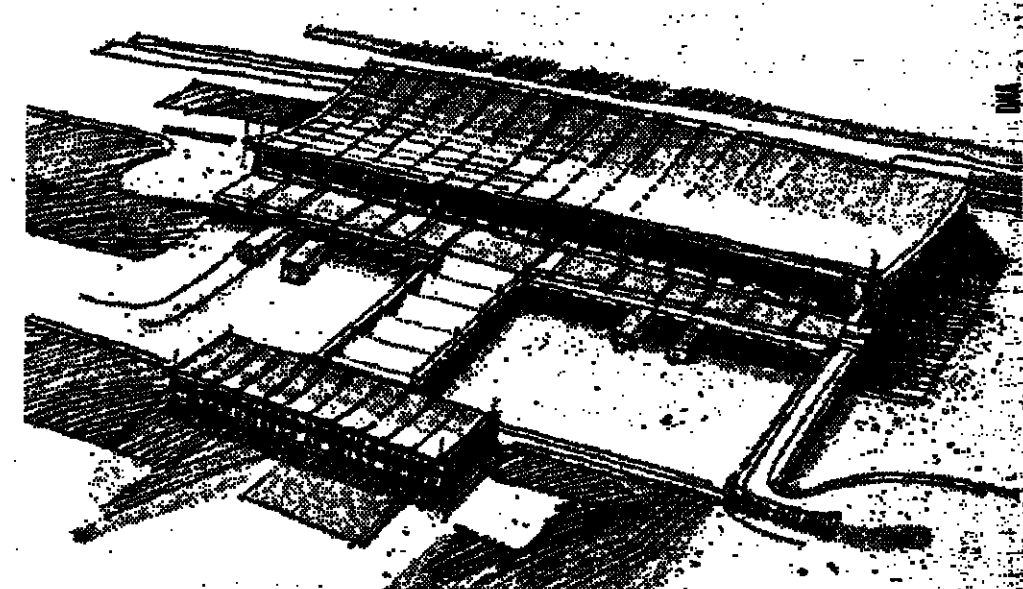
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ITALIAN ENGINEERING V

Buoyant sales abroad
for textile machinery

THE ITALIAN textile machinery industry has a long and well established tradition, but it is in the last 25 years that the industry has become the fourth largest in the world after West Germany, Switzerland and the United States.

The industry in Italy relies heavily on exports and it continues to command a growing presence on foreign markets despite the economic difficulties of the last two years. Out of an annual turnover of some 1,500bn, exports of Italian textile machines accounted for about 1,350bn.

Only a few months ago, Savio, one of the textile machinery subsidiaries of the Italian State holding, Ente Nazionale Idrocarburi (ENI), won for the second time in barely 12 months a major order from China. Other Italian companies have been active in developing countries in South America, North Africa and the Far East.

But the bulk of export sales revenue continues to come from the West European and North American markets. Indeed, France absorbs nearly 30 per cent of the total of the Italian industry's annual exports, closely followed by West Germany and Britain.

Strong force

However, although the industry exports between 60 and 70 per cent of its output, its success is also in large measure a direct consequence of the domestic textile sector, which has continued to emerge as a strong force in world markets at a time of general contraction in the sector in Western Europe as a whole.

While a number of Italian textile companies have been severely hit by the recession and indeed some have been forced to close, the industry at large has nonetheless maintained its remarkable series of substantial annual trade surpluses of the order of some 1,000bn in recent years.

In the first half of last year,

sales in volume terms continued to increase by between 10 and 15 per cent. In cash terms they grew by between 20 and 25 per cent over the same period against a domestic annual inflation rate running at nearly 20 per cent.

Part of this success is of course the high quality of design, colour and style of Italian textiles, which has acted as a major stimulus for the development of the textile machinery sector. In the case of the clothing industry alone, the sector recently reported an overall turnover of 1,25,000bn last year, representing a 25 per cent increase on the previous year. Moreover, the trade surplus of the clothing industry totalled 1,800bn last year.

Another major driving force behind the development of the sector has been its ability constantly to improve itself technologically. This in large measure is the result of the industry's peculiar structure. It consists of a vast number of small and medium sized companies, concentrated in the industrial belts of Lombardy, Piedmont and Umbria around the city of Prato near Florence.

There are only eight textile machinery companies employing more than 500 people and six of these are controlled by the State ENI group. The other 220 companies are all medium or small manufacturing groups. Of these 35 per cent employ fewer than 50 people, while 20 per cent employ fewer than 10 people. In all, the textile machinery industry in Italy employs about 30,000.

Like the country's other myriad of small and medium size industries, these companies have traditionally represented one of the more profitable ends of the Italian economy. Their structure has enabled them to be flexible in their operations, encouraging constant technological renewal. At the same time, their size has kept them immune from the increasing labour problems and labour costs which have afflicted Italy's

larger manufacturing groups.

Protracted negotiations for a series of major national labour contracts resulted last year in severe loss of production for many major Italian companies, but smaller companies, including those in the textile machinery sector were only marginally affected.

Accused

To avoid being sucked into more difficult labour relations, smaller companies have tended to boost their expansion on technology, on the widespread use of subcontracting to other small concerns, and, when necessary, on imports of components. In the case of the textile machinery sector, more than 1,300bn worth of components were imported last year. At the same time, these smaller companies have on occasion been accused by their foreign competitors of unfair competition in view of their aggressive pricing policies. While they have at times made use of so-called "black" or "double" labour to contain overall manufacturing costs, it has never been as widespread as it is sometimes made out.

The sector's export performance during the last two years has also been assisted by the skilful management of the country's currency by the monetary authorities. Despite Italy's entry into the more rigid monetary discipline of the European Monetary System last year, the lira has effectively been guided on a middle course between a declining dollar and rising European hard currencies.

The decline in the dollar has meant that the cost of raw material imports, in large measure paid in dollars, has been contained, while the increase in the rate of the hard European currencies has made the lira more competitive, helping export performance in the traditional markets of countries like West Germany and France.

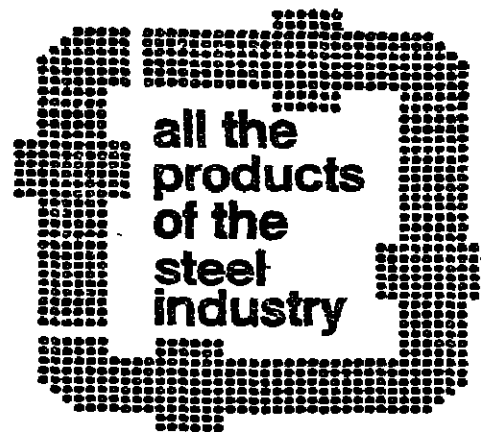
But the current domestic and international economic situa-

tion is now causing increasing concern among textile machinery manufacturers. With an annual inflation rate of nearly 20 per cent, the lira and export competitiveness, are coming under pressure and being undermined. The dramatic rise in raw material prices is also beginning to bite, while the country's current difficulties in energy supplies could have further damaging repercussions. Coupled to all this, the textile machinery sector is facing growing competition from manufacturers in developing countries.

Up to now the industry as a whole has succeeded in coming to terms with seasonal and longer-term problems by relying largely on its own devices. In a sense, the decision to push the sector up market, concentrating on more sophisticated technological machinery, has been one of the replies of producers to the challenge from the developing countries. In the same way, the attempts to form joint export consortiums are another device to boost overseas sales revenue.

But the industry believes it can no longer rely solely on its own inventiveness and resources. The current problems of the country's large industrial groups could work themselves down to small and medium sized industries. Already, the present climate of uncertainty has seen a marked drop in investment on the part of these smaller concerns. They are now likely to be further dampened by the high cost of money, which, with a prime borrowing rate at 19.5 per cent, is again at the record levels of the last lira crisis in 1976. In unchanged circumstances, and in the absence of any fundamental supports from the Government, the banking system and the trade union movement, this could be a particularly uncomfortable year for the Italian textile machinery sector.

Paul Betts



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FINSIDER GROUP ITALY

Tractor makers plan
1980s export drive

IF ITALY'S two leading tractor manufacturers, Fiat Trattori and Same-Lamborghini, have their way, the 1980s will see a big new export drive for Italian products in the world tractor market.

With a solid domestic market behind them, the two Italian companies rank fifth and sixth respectively in the world producer league, behind the four American giants - Massey-Ferguson, John Deere, Ford and International Harvester. In 1979 the two companies together accounted for more than 80 per cent of the Italian market, and each exported well over half of its production.

But if 1980 opens on a challenging note, 1979 has been for both companies a year of labour difficulties and trying union negotiations. "A year of lost opportunities" is how Fiat described it in a recent letter to shareholders, stressing the impact of strikes on the Fiat group's production of both cars and tractors.

Labour stoppages during the

acrimonious renegotiation of a three-year labour contract for the industry meant that Fiat Trattori, a subsidiary of the Fiat Corporation, lost more than 2,000 tractor sales, most of them abroad. Worldwide Fiat tractor sales rose 2.4 per cent in 1979 to 64,225, of which 62

By a Correspondent

per cent were exports. But although Fiat raised the export share of its sales by four percentage points and added one point to its share of the Italian market to bring it to 37 per cent, production at 53,400 was below target, and strikes caused delays in deliveries.

For Same too, it was a year of difficult labour negotiations over a plan to increase production as part of a bid to capture new export markets. With a turnover last year of about 1,300bn (£370m), Same and its subsidiary Lamborghini last year had 25 per cent of the Italian market and exported 53 per cent of their production.

But a plan to boost group production by up to 20,000 tractors a year at Same's Treviglio plant in Lombardy and the Lamborghini plant at Pieve di Cento near Bologna was held up for almost a year by union demands that the family-owned company should instead take over a loss-making company in Sardinia. After months of strikes and negotiations, agreement between the two sides was reached last January and the way is now clear for the Same management to set up a third assembly line, raising production there from 20,000 to 33,000 tractors a year, and to expand output at the Lamborghini plant - which it took over in 1972 from the state firm Gepi - from 8,000 to 15,000 tractors a year.

Instead of the Sardinian venture demanded by the unions and adamantly rejected by Same, the company's management has agreed to invest new funds in a factory to be built somewhere in southern Italy, and details are expected to be announced later this year.

Same, founded by Francesco Cassani, who in 1927 designed and built the world's first diesel-engined farm tractor, has expanded enormously in the last couple of decades. The Treviglio factory started industrial production in 1948, and in 1952 Same launched a four-wheel drive tractor, drawing on an idea first conceived in 1928.

The main growth has been achieved since 1965, and in 1969 the family concern was converted into a joint-stock company. But with ownership of Same still in the hands of the Cassani family, the company typifies the versatility and entrepreneurial drive which is the force behind the Italian economy. Profitable and dynamic, Same last year made a net profit of about 1,150bn (\$22m) on turnover of 1,300bn, and its management is aiming at sales of 1,400bn for 1980.

This will still be some way behind Fiat Trattori, which last year recorded sales of about 1,900bn, but Same has aggressive plans for expanding its exports in Europe and North America. Specialising in four-wheel drive tractors with air-cooled engines, Same places great reliance on the quality and range of its dealer and after-sales service. In the U.S., Same-Lamborghini's relatively cheaper prices and low fuel consumption have helped it to attract sales, and the company aims soon to be selling more than 1,000 tractors a year on the

U.S. market.

In the European market outside Italy, Same intends soon to build its share of sales up to 5 per cent, from 3 per cent at present, through aggressive sales campaigns and the purchase of dealer networks. In France, West Germany and Spain, Same has its own marketing subsidiaries, and in Holland, Belgium and Switzerland it has achieved market shares through dealers of between 7 and 10 per cent.

In Britain, Same's sales are still relatively small, even though they have tripled from 150 to 450 a year in the last couple of years. Over the next five years the company's aim is to raise annual sales to about 1,500, taking advantage of growing demand for four-wheel drive tractors to win a 5 per cent share of this market.

Elusive

A so-far elusive market for both Same and Fiat is China, where both companies have been negotiating for potentially major contracts. In Same's case, contracts have concentrated mainly on the sale of tractors, while Fiat has submitted a \$1bn project for the construction of a tractor factory using Fiat technology. But although Fiat recently obtained permission to open a representative office in Peking, negotiations on the factory project show no sign of an early conclusion.

In Europe, by contrast, Fiat achieved the overall leadership with a 12.2 per cent share of the market in the first half of 1979. Fiat, the number one producer worldwide of agricultural crawler tractors, has for some years been selling its products in the U.S. under the brandnames of Allis Chalmers and White. Its own subsidiary in the U.S., Hesston, a manufacturer of hay and forage harvesting machinery acquired in 1977, last year boosted sales by 30 per cent, while Fiat marked the 60th anniversary of the production of its first tractor with the launching last year of eight new models at the upper end of its series 80 range, with a capacity of between 100 and 180 horsepower.

Fiat Trattori has the benefit of worldwide marketing networks and assembly and licensing agreements in a number of foreign countries. But last year was a disappointing one for the Fiat group as a whole, and Fiat Trattori will be expected to make its contribution in 1980 to a hoped-for turnaround for the group.

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ITALIAN ENGINEERING VI

Ambitious ideas to export electronics

THE ITALIAN electronics and telecommunications industries, over the past decade, have not shown the same strength in export markets as the automobile and engineering sectors. However, there are exceptions to that blanket description, and there are ambitious plans for improving these sectors' performances.

The major Government initiative for improving performance is known as Law 675, announced over a year ago. It provides for large-scale subsidies of the electronics industry, with £300m earmarked for direct grants, a further £140m in low interest loans and another £125m in increased Government expenditure. The aim is both to modernise the industry as a whole, to make the electronics industry in particular more competitive, to cut back on imports and to boost exports.

To these ends, public purchasing policy, especially of computers, will be stepped up, new communications systems—as viewdata and fibre optic transmission—experimented with and research and development projects identified and supported.

Joint ventures

In addition, attempts will be made to create joint ventures between Italian companies and multi-nationals, while leading companies such as Olivetti will be supported to help them achieve some of the plan's objectives. State cash will be disbursed through two funds: an industrial restructuring fund, and a research and development fund administered by the publicly-owned investment bank, IMI.

The investment is large, the largest so far announced in one package by any European Government in support of its electronics/communications industries. But then, the problems are large, too: Italy had no Italian-owned manufacturer which made a full range of computers, it was weak in consumer electronics, in semi-conductors and in telecommunications. There was much leeway to be made up, and there still is—but some progress has been made.

Italy has taken a step away from reliance on the two U.S. subsidiaries, IBM and Hitachi, through a far-reaching deal between the sector's strongest company, Olivetti, and the Japanese electronics company,

Hitachi. Under its terms, Olivetti will take on the medium and large-sized Hitachi computers, to flesh out its range of small machines and peripherals.

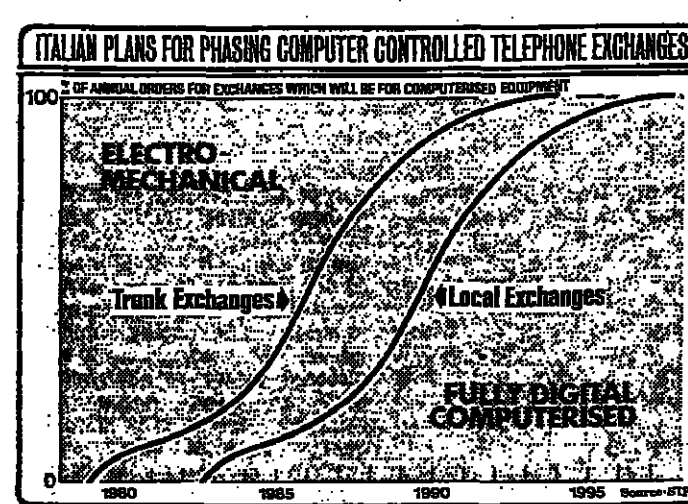
The agreement is of interest for three major reasons. First and most obviously, it gives Italy the potential of an integrated computer/office equipment company, and gives Olivetti the opportunity to find markets which had previously been closed to it. Second, the deal closely parallels one drawn up two years ago between the West German company Siemens and the Japanese company Fujitsu: there are thus now two European electronics companies with strong Japanese links in data processing.

Third and most important, Olivetti's range, like Siemens, is IBM-compatible and indeed the Hitachi computers are virtually the same machines as the Fujitsu/Siemens ones, having been developed jointly. This means that Siemens/Olivetti/Fujitsu/Hitachi now potentially form a powerful, IBM-compatible bloc whose marketing strategies could be (to some extent already are) co-ordinated, offering a strong challenge to IBM itself, but even more to other U.S. or U.S./European companies (like France's CII Honeywell Bull or Italy's Hsi-Honeywell), and to the UK's International Computers.

One of the strengths of the Italian electronics industry, as the rest of Europe knows to its cost, is the domestic appliance sector—though it is probably true that the success owes more to rapid automation of manufacturing plants than to Government support. Companies like Zanussi and Candy have become household names beyond Italy, largely because of the familiar but successful combination of low price, good design and comparative reliability.

The industry has been successful enough to establish plants throughout Europe, a recent acquisition being the Colson plant in the UK. Success brings its own problems, and the Italians are finding stiffer resistance to their onslaught now, as European companies fight back.

Olivetti itself (apart from its computer activities) must be considered as one of the country's most successful groups. Employing about 60,000 people, half of these



abroad, it is Europe's largest manufacturer of office products, traditionally strong in typewriters but now diversified into word processing systems, data switching teleprinters and, as we have seen, computer terminals.

It will be well placed to take advantage in the expected boom in electronic office equipment, and is indeed already doing so. It remains relatively weak, however, in telecommunications—though that capability has been growing very much in recent years—when compared with its largest competitors.

Since it is probable that the most successful office equipment companies will be those which have developed advanced communications exper-

tise (as IBM, which sets the industry standard, is now doing), then it seems likely that Olivetti will respond by continuing to make efforts in this direction.

Telecommunications itself is an undeniably weak sector in Italy, compared with every other major European company. The key to its weakness is seen by many as being fragmentation within the industry: five companies—the state-controlled SIT-Siemens, subsidiary of the U.S. company General Telephone and Electronics, the IIT subsidiary FAGET, the Ericsson subsidiary Fatme and the Fiat subsidiary Telettra.

Each of these, including SIT-Siemens and most recently Telettra, is developing its own

independent switching system and, though the Government has made it clear it would like to see less fragmentation there are no signs of rationalisation. Pressure for it continues, however, and there are indications that a variety of groupings are being discussed, including at one stage a Fiat/Telettra takeover of GTE's interests.

The problems with any re-arrangement is that all three multinationals are fiercely competitive, large telecommunications companies, each with a competing switching system and with enormous hunger for world markets, while SIT-Siemens and Telettra have too small a home market to allow them to get domestic economies of scale, and do not yet possess switching technology modern enough to give them a large international market.

Winning exports is seen as the critical task for this industry, and indeed many of the companies have been successful in doing so. But the problems of size, and the lack of a switching system which can compete with the new digital electronic switches now sweeping the market, remain critical.

SIT, the state-owned PTL, has not played an active role in promoting change, and has a much less ambitious ordering programme than France, West Germany or the UK—600,000 lines a year, against 2m in France and well over 1m in West Germany and the UK. The installed base is 1.1m lines, compared to France's 12m and the UK's 15m.

In semi-conductors, now identified by most advanced countries as the most important part of any electronics strategy, Italy is again weakly placed. Its most powerful company is SGS-AT&S, which is a medium-sized semiconductor manufacturer with growing export turnover and which will benefit most under the Government's plans for the industry.

Dominated

However, Italy's market, like those of all other European countries, remains dominated by U.S. and Japanese imports, while it probably requires links with U.S. or Japanese semiconductor houses to help its own companies acquire sufficiently advanced technology to climb the ladder.

Finally, the area in which Italy has achieved world renown is in robotics—largely because attention has been focused on the social effects of micro-electronics, and the robot assembly lines at Fiat were eminently television to prove doom-laden points on future mass unemployment. Fiat has played up to the free publicity by promoting its Strada model as the first robot-built car. Certainly Fiat has been innovative ahead of its time—but one or even a few robot assembly lines does not make a successful industry, much less a revolution, and even the Strada is more human than robot-made.

John Lloyd

Aerospace groups thriving

THE SUCCESS of Italy's aerospace industry is in curious way a reflection of the paradox of the Italian economy as a whole: in a world in which apparently the pressures are for ever-greater concentration of production, it thrives largely thanks to its fragmented structure. But like the country's economy, and its bedrock of small and medium-sized companies, the question remains of how long this state of affairs can happily continue.

The fact, nevertheless, is that today the country's aircraft and helicopter manufacturing companies are faring very well—better than could ever have been realistically envisaged 10 years ago when dreams were still afoot of lifting Italy into the "first division" of manufacturers, possessing an industry fully competitive with all fronts with the established powers of European aerospace in France and Britain.

That the industry is now simply competitive can be seen from the figures alone. But this reflects not an overriding emphasis on size alone, but on the ability of practically every Italian manufacturer to find a niche within the market, where a particular aircraft or product may flourish. Although final figures for 1979 are not available it is certain that the industry's total turnover will have exceeded L1,000 bn (£1.2bn) for the first time, and investments overall will have reached L75bn (\$93m).

This is perhaps modest when set against the \$5bn turnover of the French industry, or the 200,000 employed in the sector in the UK (in Italy the comparable workforce is 36,000). But the Italian aerospace companies are almost uniformly profitable whether publicly or privately owned, and they are a source of great technological innovation for the economy at large.

This is no mean boast, particularly as far as the publicly-controlled manufacturers such as Aeritalia and Augusta (of the ERM group) are concerned, given the appalling financial plight of virtually the entire state sector in Italy.

Need to modernise

But alongside the ability to discern a promising market area, another factor is working in favour of the manufacturers, if somewhat belatedly: the rapid rise in Italy's defence spending, largely spurred by the long overdue need to modernise the country's defences within Nato at a time of growing international tension.

For 1979, military outlays rose more than 3 per cent target laid down by Nato, to L5,119bn (\$6,300m). True, the absolute figure, and as a share of total GDP, is well below most major European countries, but the modernisation programme is having important benefits for the aerospace producers.

In the first place Aeritalia, the subsidiary for the aerospace producers.

In the first place Aeritalia, the subsidiary of the State-owned IRI-Finmeccanica group, is heavily involved in the programme for the three-nation Tornado multirole combat aircraft, to enter service from 1981 on in the Italian, German, and British air forces.

Aeritalia, moreover, is exerting strong pressure for its inclusion in another international venture, which could lead to the production of a new Anglo-French-German joint tactical aircraft for the 1990s, and sales of about 1,000 new aircraft. Indeed, the Italians are hopeful that involvement in

the new project, which will not be given a formal go-ahead at least until 1981, could enhance the prospects of the AMX, a tactical support aircraft due to replace the ageing Fiat G-91 currently in service with the Italian Air Force.

The AMX, to be powered either by a derivative of the Rolls-Royce Spey engine or (perhaps more probably) by a new engine developed by Fiat and Alfa Romeo, is due to enter service by 1982, assuming that a final Parliamentary go-ahead is obtained by the two companies involved in its production. Aeritalia and the privately-owned Aerospaziale Macchi of Varese.

Found a niche

Macchi, indeed, is a good example of the smaller producer which has found its niche in the market—in this case jet trainers cheaper than anything on offer from its British and French competitors. About 880 Macchi MB-326 trainers have been sold over the past 20 years, a large share of which have been for export, particularly in the developing world. Macchi indeed sells abroad about 80 per cent of its output, though that proportion necessarily will drop when production gets into top gear of the replacement of the MB-326, the MB-339, of which the Italian Air Force has ordered 100. Typically of the smaller Italian companies, Macchi (with sales of L70bn in 1979) is profitable, and 80 per cent self-financed.

However, orders placed by the Italian Air Force are not entirely unmitigated blessing. The chronic tardiness (though some signs of improvement

have been claimed recently) of payment by the Government has been a severe burden on the finances of the major contractors. Aeritalia, for example, blamed much of its L17bn loss on a debt of L50bn still owing from the Defence Ministry on completed contracts. Meanwhile, bureaucratic delays in State aid for certain programmes has forced the group to replace the money by borrowing—often at prohibitively high rates—on Italy's domestic market.

Indeed an improvement in the financial arrangements is perhaps one of the two main needs for the entire Italian aerospace industry, which has often in the past been handicapped by comparison with its French and British rivals. The other—in theory at least—is to impose a more rational organisation upon a sector where concentration is still the order of the day abroad.

However, the seasoned observer of Italy's fortunes is entitled to doubt whether such a plan might not create more problems than it solved, by involving a state notorious for delay, bureaucracy and blatant political interference, in an industry which frequently has had to live by its wits.

By and large, moreover, it is managing very well. Although the bulk of Aeritalia's work until recently has been in the military sector (the Tornado, the G-222 military transport, and the AMX), it is now increasingly involved in the civil sector, through its stake in the Boeing 787 passenger aircraft programme.

The state company's interest in the venture, between 5 and 10 per cent, might be worth up

to \$2bn of business for it, as well as equally clearcut benefits in terms of jobs and technological advance. The deal's advantages are in any case starting already to flow through. Sales for 1978 rose 50 per cent to L200bn and orders exceeded L500bn.

The other major publicly-controlled aerospace concern, is of course Agusta—the manufacturer and licensee of the American Bell group of helicopters—which last year expected sales of more than L420bn, has been generally profitable, and a source of considerable new employment in depressed southern Italy. In the private sector there are other companies as well as Macchi: Rinaldo Piaggio (separate from the motorcycle and scooter manufacturer), and Partenavia, to name just two.

Consortium

Both Fiat and Alfa Romeo, meanwhile, have their respective engine divisions, which under a recent agreement between the motor company and Alfa's parent Finmeccanica, will be linked in a consortium in which Fiat will have a majority stake, aimed at rationalising military engine production.

Fiat, in addition, is joining forces with Pratt and Whitney, of the U.S. and West Germany's MTU to develop a new engine to enter service in the late 1980s, which will cut fuel consumption by 30 per cent. Again it is proof of the emphasis which the Italian aerospace industry is giving to joint ventures, across national frontiers.

Rupert Cornwell

A FINANCIAL TIMES SURVEY

ITALY

MARCH 31, 1980

The Financial Times proposes to publish a Survey of Italy in its edition of March 31. The provisional editorial synopsis is set out below:

INTRODUCTION

Following the inconclusive general election last June, Italy is struggling to find a stable government formula to enable the country to tackle its growing economic and social difficulties which are gradually coming to a head. On the economic front, inflation is accelerating at an annual rate of about 20 per cent and there is increasing concern over serious shortfalls in oil supplies this year.

POLITICS

Italy has increasingly been governed in the last decade by a succession of weak coalitions that have been repeatedly followed by early general elections. For some parties, the root cause of this political malaise is the country's complex electoral law combining proportional representation with preference voting. Indeed, there have been growing calls for modifications in the current electoral system to enable stable majorities to be formed. But the fundamental problem, however, remains the so-called Communist question.

THE ECONOMY

Despite being successfully managed over the past three years, the Italian economy is now coming under pressure again. Short term prospects are generally gloomy, with inflation running at a rate double that of Italy's European partners, growing energy difficulties and declining export competitiveness.

THE UNIONS

In view of the country's economic difficulties, the unions have openly recognised the need for more moderate labour policies, the need to restrain labour costs and accept the principles of labour mobility and job shedding to help industry retain its competitiveness. But the official union leadership has so far failed to translate these more moderate policies into practice.

ENERGY

Of all the country's economic problems, energy is the most immediate issue. Italy this year could face serious shortfalls in oil supplies which for a country relying on oil imports for about 75 per cent of its overall energy requirements could result in serious economic repercussions.

BANKING AND FINANCE

Italian interest rates have once again risen to the record levels of the last Lira crisis three and a half years ago. The banking system as a whole is now also involved in complex operations to help the financial recovery of a number of major Italian industrial groups. But a major problem remains the marginal role of the country's stock exchanges.

THE PUBLIC SECTOR

In view of the current financial crisis in the public sector there are now attempts to review the role and management policies of the country's main State-controlled holding companies.

THE PRIVATE SECTOR

Declining export competitiveness, inflation, unusually difficult industrial relations, the contraction of world export markets is causing growing concern to the country's private sector which has traditionally relied heavily on exports.

AGRICULTURE

Italian hopes for a reform of the EEC's Common Agricultural Policy for greater support for Mediterranean produce.

THE MEZZOGIORNO

After the controversial industrialisation policies of the 1960s, efforts are now being undertaken for a more rational industrial transformation policy to help bridge the gap between the north and south of Italy.

FIVE STUDIES ON MAJOR INDUSTRIAL SECTORS

(a) the motor industry; (b) the chemical industry; (c) steel; (d) textiles and fibres; (e) civil engineering.

DEFENCE AND FOREIGN POLICY

A key ally in the Atlantic alliance, Italy has approved NATO plans for a new generation of nuclear theatre weapons.

LAW AND ORDER

The irrevocable link between political violence and the country's political, social and economic problems.

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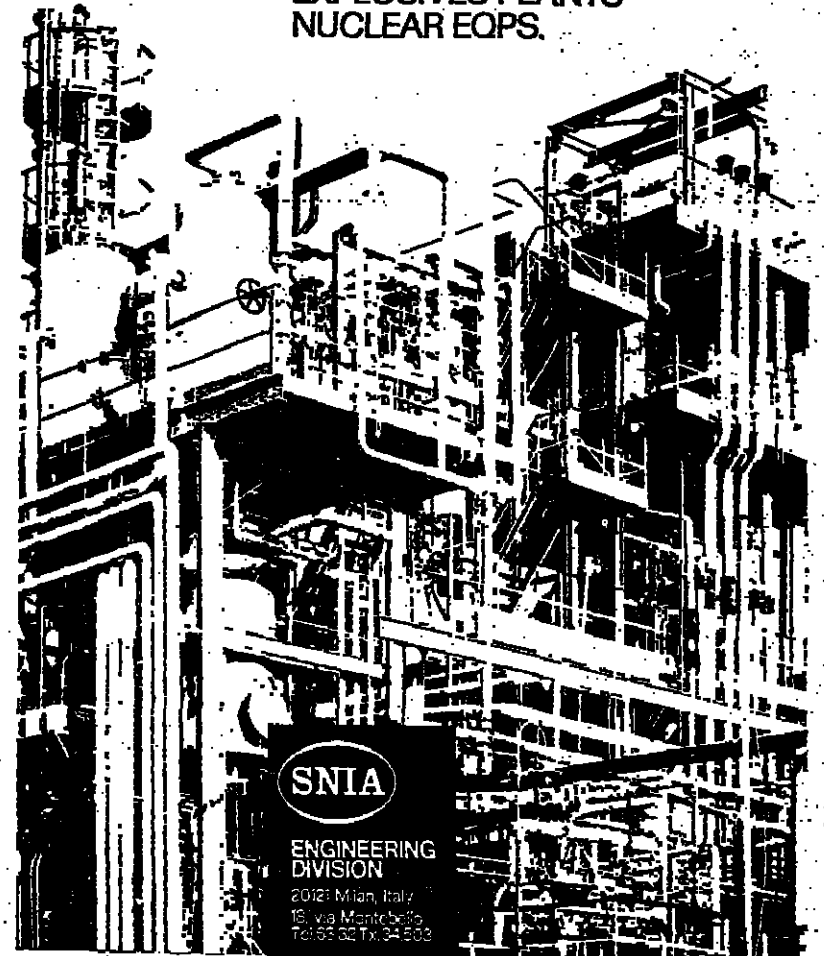
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THE MANAGEMENT PAGE

How the Pru struck a blow for shareholders' rights

John Makinson on the implications of the Prudential v Newman case

AT 10.30 am on Monday of last week Mr. Justice Vinelott entered court 23 of the law courts and began his reserved judgment on the case of Prudential Assurance v Newman Industries and others. At 1 pm on the following day, he concluded his 35,000 word text, thanked counsel for their conduct of the case and left the court. His epic performance was appropriate to an action which has proved one of the longest and most expensive in recent history.

The judgment has, at least in theory, enhanced the rights of shareholders in a company and made it more feasible for them to bring claims against directors for breaches of duty. In so doing, it has brought British law more closely in line with North American practice. The Prudential case has, however, also served to highlight the monumental practical difficulties of this kind of action. In addition, it has raised serious questions about the adequacy of company law and stock exchange regulations.

The background to the case is both long and tortuous. It centres on the actions of two men, Alan Bartlett and John Laughton, and dates from the stock market failure of late 1974.

At that time, Bartlett and Laughton were respectively chairman and vice-chairman of three companies: Strongpoint, a private company which they owned, Thomas Roole and Gladstone China (TPG) and Newman Industries. Strongpoint owned 35.8 per cent of TPG, which in turn held 35.8 per cent of Newman.

TPG was an investment group with holdings in a wide range of quoted and unquoted companies. These stakes were used as collateral for extensive bank borrowings. As the stock market collapsed, the value of TPG's holdings was drastically reduced and its financial position deteriorated. New sources of finance were impossible to come by and the board found it hard to extend existing loans.

In these circumstances, Bartlett and Laughton arranged for the payment of £216,000 to TPG, taken from the cash-flow of Newman. Newman also paid £280,000 to Strongpoint in return for an option to buy shares in TPG. This second payment provoked considerable controversy and the option agreement was subsequently dropped.

The two Newman directors also drew up a strategy document, Newman was vulnerable to a takeover by TPG and placing a value of £350,000 on the net worth of TPG, excluding its holding in Newman. They then recommended that Newman buy this TPG package and Deloitte and Co., Newman's auditors, were brought in to make a valuation.

Laughton provided Peter Cooper, a partner in Deloitte, with information about TPG which was both inadequate and misleading. On the basis of this information, Mr. Cooper placed a value of £235,000 on TPG—again minus the Newman stake. A telephone call with Mr. Laughton persuaded Cooper to increase the valuation to £325,000.

Without the full board having been consulted, Newman subsequently issued a circular to shareholders recommending their acceptance of a scheme for Newman to buy the TPG package for £325,000, a figure arrived at after deducting £1,171,000 of liabilities from £1,496,000 of assets.

Dismissed

At this point, June 1975, difficulties arose. Angus Murray, a non-executive director of Newman and the only voice on the Board opposed to the TPG deal, discovered that a proposal had been put to shareholders without his knowledge or consent. In the belief that he could make no further progress in a Boardroom dominated by Bartlett and Laughton, he alerted institutions to the circumstances of the deal, called

for an independent inquiry into it, and sent a letter to the Press which outlined the grounds for his opposition and advised shareholders to vote against the proposal.

With pressure mounting from Murray, Heenan and of Fairley Holdings and from institutions led by the Prudential, Bartlett agreed to the inquiry and to an adjournment of the extraordinary general meeting. The Prudential pressed for a further adjournment without success and the TPG proposal was approved by shareholders at a meeting in late July 1975. The report of inquiry, drawn up by Schroder Wagg and Jeremiah Harman QC, was completed in February 1976 and gave qualified approval to the Deloitte valuation. At this point Murray was unceremoniously dismissed from the Newman board.

By this time, however, the Prudential had already served a writ on Bartlett, Laughton, Newman and TPG. The subsequently amended claim charged that the Newman circular was tricky and misleading and that Bartlett and Laughton's actions amounted to conspiracy.

The Prudential's step was highly unusual in several respects. First, it was unprecedented for a major institution to take legal action against the directors of a company in which it had invested. Second, the Pru was breaking new ground by proceeding with three separate actions.

The first course was thoroughly straightforward—a direct action in which the Pru claimed damages from the defendants. In addition to this, the Pru brought a representative action on behalf of all other shareholders. Finally, it instituted a derivative action in which it claimed damages from Bartlett, Laughton and TPG in the name of Newman Industries.

Representative and derivative actions are very common in the U.S. but, in this context, unusual in Britain. Professor Jim Gower, an authority on company law, says he cannot recall any case in which they have been used simultaneously. In a derivative suit, the plaintiff in effect says that the



Alan Bartlett

company is controlled by its directors who are most unlikely to use the company to bring an action against themselves. Shareholders are therefore entitled to sue in the name of the company, to which damages will be paid.

The problem has been to define what constitutes control. The legal precedent for this defined it as voting control, which would obviously not apply in the case of Newman. The significance of Mr. Justice Vinelott's judgment is that the term has been redefined to accommodate de facto control.

The Prudential successfully argued that Bartlett and Laughton, through their influence on other directors and their handling of information presented to the board, effectively controlled Newman. The judgment has made directors without voting control responsible to shareholders for a breach of duty owed to the company through which they benefit by allowing shareholders to sue in the guise of the company. The same principle could be applied to shadow directors, who may control a company without having a seat on the board.

It receives support from the

Conservative Government's Companies Bill which says that "any member of a company may apply to the court by petition for an order under this section on the ground that the affairs of the company are being conducted in a manner which is unfairly prejudicial to the interests of some part of the members." In such circumstances, civil proceedings may be brought "in the name of or on behalf of the company."

Since there is no direct contractual relationship between shareholders and directors, both the direct and representative actions had to be brought against Bartlett and Laughton for a breach of fiduciary duty, amounting to a "tort."

It has always been possible to bring a direct action against directors on such grounds, but this is the first time that a shareholder has brought a representative action against directors. This is not a great legal breakthrough, but it does have significant practical implications.

An action of this kind is extremely expensive and in the case of a direct action the shareholder stands to gain damages only in proportion to his holding. If a Mr. Smith has 5 per cent of Jones and Co. and establishes that the actions of directors have caused a loss to the shareholders of £1m, he will receive in damages only £50,000—5 per cent of £1m. Any other shareholders would have to make entirely independent claims and the expense would be a powerful deterrent.

Through the representative action, however, one shareholder can bring an action from which all other members of the company (except the defendants) may benefit. They need only produce an order for damages to collect the cash. This means, for example, that any association of shareholders could pool their resources to bring a representative action in the name of one shareholder. They would all share in the proceeds and costs would be reduced accordingly.

In the case of Pru v Newman the plaintiff alleged conspiracy by Bartlett and Laughton. It might, however, be possible to

bring an action on the grounds of negligence. In such a case, directors could be sued for having failed to exercise the necessary skill and judgment in carrying out their duties. An unsuccessful business decision could, therefore, make them liable for damages.

The law on this point is a little unclear and a proposal in the last Labour government's bill to define the duties of directors has been dropped from the Conservative version. Yet a 1925 case could provide the necessary precedent in law for a negligence suit.

Even though the law in this area has not yet been tested, directors may now feel sufficiently threatened to take out insurance cover against action on negligence, though they could not of course protect themselves from a conspiracy charge. This kind of negligence policy has long been common in the U.S. and is slowly becoming available in the U.K. A company called Directors and Officers already provides cover of between £500,000 and £5m for directors of a company.

It is none the less most unlikely that company directors will be flocking en masse to their insurance companies. To begin with, the legal system in the U.S. makes a representative and derivative action a more attractive proposition for both lawyers and shareholders. Lawyers frequently operate on a "contingency fee" basis by which they collect a proportion of total damages, often as high as 40 per cent. If the suit is successful and nothing if it fails. The potential rewards are high and many lawyers actively canvass this kind of business.

The benefits to the shareholders can also be much higher than in the U.K. since anti-trust suits contain a "triple damages" provision, whereby the defendants must pay damages equal to three times the actual loss.

Furthermore, "class actions" in the U.S. have a long history, dating from 1912, and are embodied in the Federal Rules of Civil Procedure. Their implications have yet to be fully explored in the U.K.

The most overwhelming reason why a proliferation of representative or derivative actions looks unlikely is illustrated by the longevity and expense of the Pru case itself.

Damages against Bartlett, Laughton and TPG have yet to be assessed and will probably not be paid for at least six months. If that is the case Newman Industries will receive compensation five years after completion of the deal with TPG. In that time, the share register will have changed beyond recognition and many of the shareholders who were indirectly injured by the deal (through its damaging effect on the Newman share price) will have sold their stakes long ago. The rights of such shareholders to damages have yet to be determined by the court.

The total cost of the Pru case will probably work out at around £750,000. The Pru's own bill could be over £300,000. Costs have not been assessed yet and in any civil action the successful party must recover its full expenditure. To embark on an operation on this scale, particularly if there is a reasonable chance of failure, might be impractical for all but a wealthy group of private shareholders or a powerful institution.

There is, however, an opportunity for a plaintiff in a derivative action to pass on the costs, and this succeeded in a recent action. A court order, before the case begins, that the plaintiff (in this case the Pru) can be indemnified for costs by the party for whose benefit he is suing (in this case Newman), win or lose.

Reluctance

The Prudential is to be congratulated on its determined action. At the same time, it will probably hesitate before repeating the performance, and other institutions must also be awed by the effort which has been required to right a wrong. The reluctance must be all the greater because institutions are no longer under much pressure to attend to the interests of small shareholders. In 1975, when the Pru began its campaign, the institutions were under fire for having failed to protect the private investor from the ravages of the secondary banking crisis and stock market collapse.

Whatever the eventual significance of last week's judgment, the action itself has served a useful purpose in exposing possible weaknesses in company law and stock exchange regulations. It is, for example, most unlikely that the conspiracy of Bartlett and Laughton would

ever have been brought before the courts but for the tactics of Mr. Angus Murray. His public intervention emphasised the crucial role which non-executive directors can play in defending the interests of shareholders.

One point to emerge strongly from the case was the inadequacy of the valuation supplied by Deloitte and, in particular, by Peter Cooper. In the course of his judgment, Mr. Justice Vinelott said that Mr. Cooper did not approach his task of valuation in a sufficiently critical way. A more critical valuation would, in the judge's view, have defeated the plans of Bartlett and Laughton. The judge suggested that the Stock Exchange might consider whether a company's auditors are sufficiently independent to carry out a valuation of a transaction in which directors have a material interest. Even if another firm of accountants or a merchant bank had been misled by the figures supplied by Laughton, they might have hauled at Laughton's suggestion over the telephone that the valuation be augmented by £90,000.

There is also an apparent anomaly in company legislation on this matter. Section 19 of the 1976 Companies Act says that an officer of a company who knowingly or recklessly makes a statement to auditors which is misleading, false or deceptive shall be guilty of an offence and liable to imprisonment. This provision applies to an audit but not, apparently to a valuation carried out by auditors.

Mr. Justice Vinelott also suggested that the Stock Exchange examines its regulations covering transactions in which directors have an interest. The Stock Exchange could, for example, bar interested directors from taking part in board meetings on such a deal and from helping to draw up a circular. Such rules might prove impractical and would certainly be hard to enforce. Yet they could be framed in such a way as to prevent a director with a vested interest in a transaction from participating in a committee responsible for supplying the auditors with information. This was the case with Newman.

Bartlett is apparently considering an appeal against the judgment, so the saga may not be over yet. Whatever the eventual outcome, however, the case has already clarified some murky areas of company law and exposed weaknesses in the present regulatory system. Most important of all, perhaps, it has demonstrated that a major institution is prepared to take up arms in defence of the small shareholder.

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
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Managers should spring to attention

THE WORLD'S scarcest industrial resource is not oil, money, peaceful labour relations or skilled workers.

It is "managerial attention." So says one of the world's leading experts on computer science and psychology, Professor Herbert Simon of the Carnegie-Mellon University, Pittsburgh.

Speaking at the European Management Forum's symposium in Davos, Professor Simon suggested two reasons why many managers have come to distrust or fear the impact of computers on the way they do their work.

Both had to do with managers' experience of early "management information systems."

First, the architects of first-generation computerised "MIS," as they are generally known, have not appreciated the problem of balance between information and human attention: in other words, they have failed to notice that most managers were already swamped with data so that their attention had become a scarce resource.

Rather than flooding them with more data, the MIS designers should have concentrated on providing more relevant material.

The second and associated problem, Professor Simon argued, was that until recently MIS in most companies had been designed around internal records. Yet it was external information which was of most importance to management, especially at senior levels.

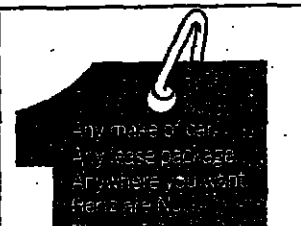
The aim now must be to design information systems

which simplified the manager's decision-making process by selecting data of relevance to him, Professor Simon said.

In an increasingly unpredictable business environment, when companies must detect weak warning signals "from outside, this was no easy task. Now, for example, he was asked could any MIS have warned Switzerland's mechanical watch industry that apparently irrelevant developments in San Francisco's Silicon Valley and Japan's electronics industry posed a severe threat? His answer was to say that an MIS could attend to a number of short-term problems, freeing the manager to focus on longer-term ones and particularly the unexpected "weak signals."

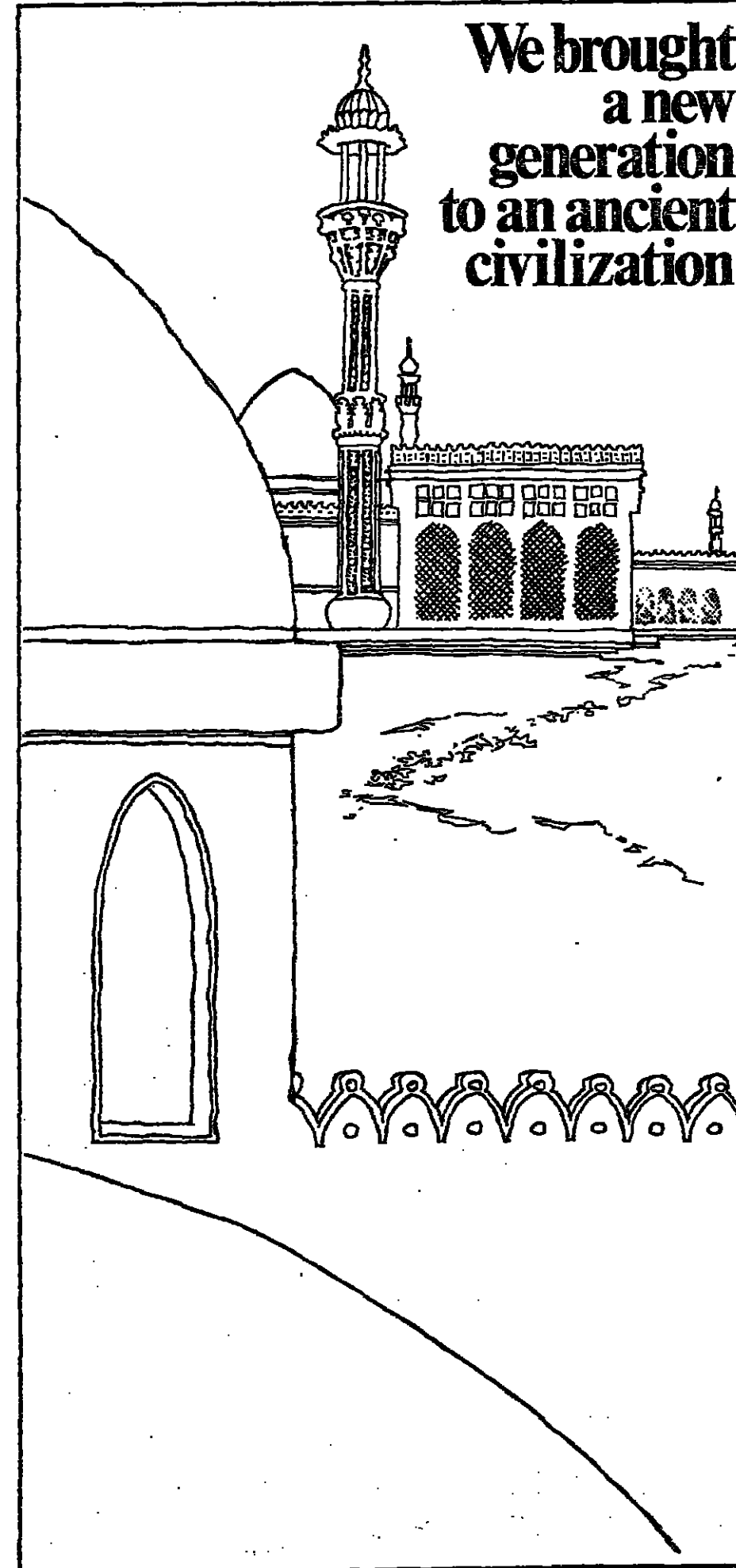
Warning of some of the pitfalls in installing MIS, Professor Simon emphasised "they're not a magic crystal ball that will do our predicting for us. You cannot model what you do not understand."

Christopher Lorenz


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5.00 am News Summary. 5.03 Steve
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cluded. 8.00-9.00 a.m. 11.30
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12.03 pm David Hamilton (S). 2.03
12.03-3.00 p.m. 11.30
More Music (S). 5.00 News.
5.03 a.m. Waggoners' Walk. 8.20
Music. 9.00 News. 10.00
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News. 8.00-9.00 a.m. 11.30
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(S). 9.45 The Trio-Sonata (S). 10.00
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Kvapi. 12.00-12.05
12.05 pm Chicago Symphony Orchestra
concert part 1 (S). 1.00 News. 1.06
Six Continents. 1.25 Chicago Solo
part 2. 1.55 Kenneth Leighten, harp
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THE ARTS

Elizabeth Hall

Fialkowska

by RICHARD JOSEPH

It is often assumed that the most difficult task confronting a young musician is first winning the public's attention. The evidence of countless competition winners and their subsequent careers, however, leads one to conclude that the second stage of an artist's career is still harder. Once recognition is earned, debut recitals, broadcasts and recordings over, it is no easy task to develop one's standards and, at the same time, justify the public's and the music industry's initial interest.

With a couple of important prizes and a notable recording of the Liszt Sonata under her belt, pianist Janina Fialkowska, who played at the Elizabeth Hall on Sunday, is just at this tricky second stage. Fortunately, the sense of proportion and concentration that marked her as a fine musician from the outset seems to be unimpaired. Schumann's *Faschingschwank aus Wien* was the culmination of the first half of the programme, a reading both passionate and clear toned, in which Fialkowska never forced her sonority or indulged in empty rhetoric. Phrases shaped with a degree of rubato were always firmly led back to the original tempo. Schumann's sturdy rhythms were buoyantly maintained rather than hammered out. Her sense of continuity

and tension extended beyond the pacing of the five movements themselves; Fialkowska also linked together the three short middle movements without a break, forming a brightly contrasted centre to the outer pair of *Allegros*.

The playing of three pieces from Ravel's *Miroirs* was equally distinguished. As one noticed in the Schumann, Fialkowska's range of tone colour is not vast, but it is employed with discrimination and a fine range of dynamics. The shimmering, static chords and proliferating figurations of *Oiseaux tristes* were impeccably rendered, and *Alborada del gracioso* had just the right sort of Lisztian ebb and flow.

Unfortunately, in the last of the Ravel group and in the subsequent performance of Chopin's *Andante spianato and Grand Polonaise*, a degree of physical tension prevented Fialkowska from playing the music with complete freedom. One had the impression that the pianist is working very near to the limit of her technical resources. In music that requires or implies grand gestures sustained over a long time scale, this lack of reserves can be damaging; the longer paragraphs of the *Polonaise* certainly suffered.

Wigmore Hall

Yuri Masurok

by ELIZABETH FORBES

Yuri Masurok, the Russian baritone from the Ukraine, currently singing the title role of *Eugene Onegin* at Covent Garden, gave a recital at the Wigmore Hall on Sunday night. Obviously more at home in the opera house than on the concert platform, he projects his voice as if to the back row of the amphitheatre; in the penultimate row of the resonant Wigmore Hall, the result is rather overwhelming, though the baritone does not have, by operatic standards, a huge voice.

That voice's strong, penetrating and very beautiful top register was a little clouded during the first half of the recital, which consisted of dully sung snippets by Mozart, Handel and Bach. A few breaks in the usually rock-solid line suggested a cold. Gounod's arrangement of *Ave Maria* was frankly boring, while the Serenade and so-called Champagne aria from *Don Giovanni*, though they touched a more responsive chord in the singer, were only marginally more interesting.

For the second part of his programme, devoted to Russian music, Mr. Masurok sprang to life. The voice cleared like

magic to become an obedient and expressive instrument, wholly under its owner's control. A group of songs by Rimsky-Korsakov included two settings of poems by Pushkin, "The flying billow clouds" and "On the hills of Georgia," both sung with warm but unexaggerated feeling. An aria from the *Snow Maiden* ended in a finely judged and graduated climax, while a longer excerpt from *The Tsar's Bride* was phrased to splendid dramatic effect.

Some songs by Rakhmaninov inspired the baritone to an even greater lyricism. "In the silence of the night," in particular, was sung with an expressiveness that easily surmounted the language barrier. The Gypsy song from *Aleko*, one of Rakhmaninov's finest vocal compositions, brought the recital proper to an exciting conclusion. Two charming Ukrainian folk-songs, given as encores, showed the singer in a lighter, less serious vein. The pianist, Craig Shappard, also brought more conviction to his playing in the second. Russian, half of the evening, when he proved a sympathetic accompanist.

Brooks Atkinson Theatre, Broadway

Talley's Folly

by FRANK LIPSUS

Lanford Wilson's last play. The Fifth of July, took place on a Midwestern American farm with an assortment of hippies, folk singers and Vietnam veterans to represent youth in full flower of unconventionality. The older generation was embodied in poor old Aunt Sally, who beat them all in the eccentricity sweepstakes by carrying the ashes of her late husband, Matt, round with her in a cardboard box.

Talley's Folly, which comes to Broadway after short successful runs in California and off-Broadway, steps back to an earlier time during the Second World War when Matt proposes to Sally and they decide to get married. Certain of the characters' traits were revealed in the earlier play, like Matt being Jewish and causing a bit of a scandal by wooing and winning the proper Methodist Sally Talley. Not only is he Jewish, it turns out, but with Judd Hirsch in rimless spectacles, unkempt beard and immigrant's accent, Matt is as abrasive and ill-suited to a southern belle as he is clumsy in the broken down

old Victorian folly where he has come a-courtin'.

Sally does nothing to encourage Matt Friedman. She answers only one of his daily letters, and that one curly. She hides when he comes to see her at the hospital where she works. She even blames him for arousing her family's ire when their prejudice gets Matt thrown out of her house. Matt, however, is not the sort to take "no" for an answer. He is not the sort to wait for any answer, since he talks incessantly, partly to show off his Jewish intellectuality and partly to hide his embarrassment at Sally's indifference, not to say hostility.

A play that was meant to expose the prejudices of an earlier era manages ultimately merely to indulge them, abetted by the very quality of Hirsch's performance. Irish Hawkins as Sally puts up convincing resistance, while the show is stolen by John Lee Beatty's magnificently ramshackled and intricate folly. It is hard to see why Aunt Sally would carry round the ashes of the man we see wooing her, unless she wants to make sure he stays dead.

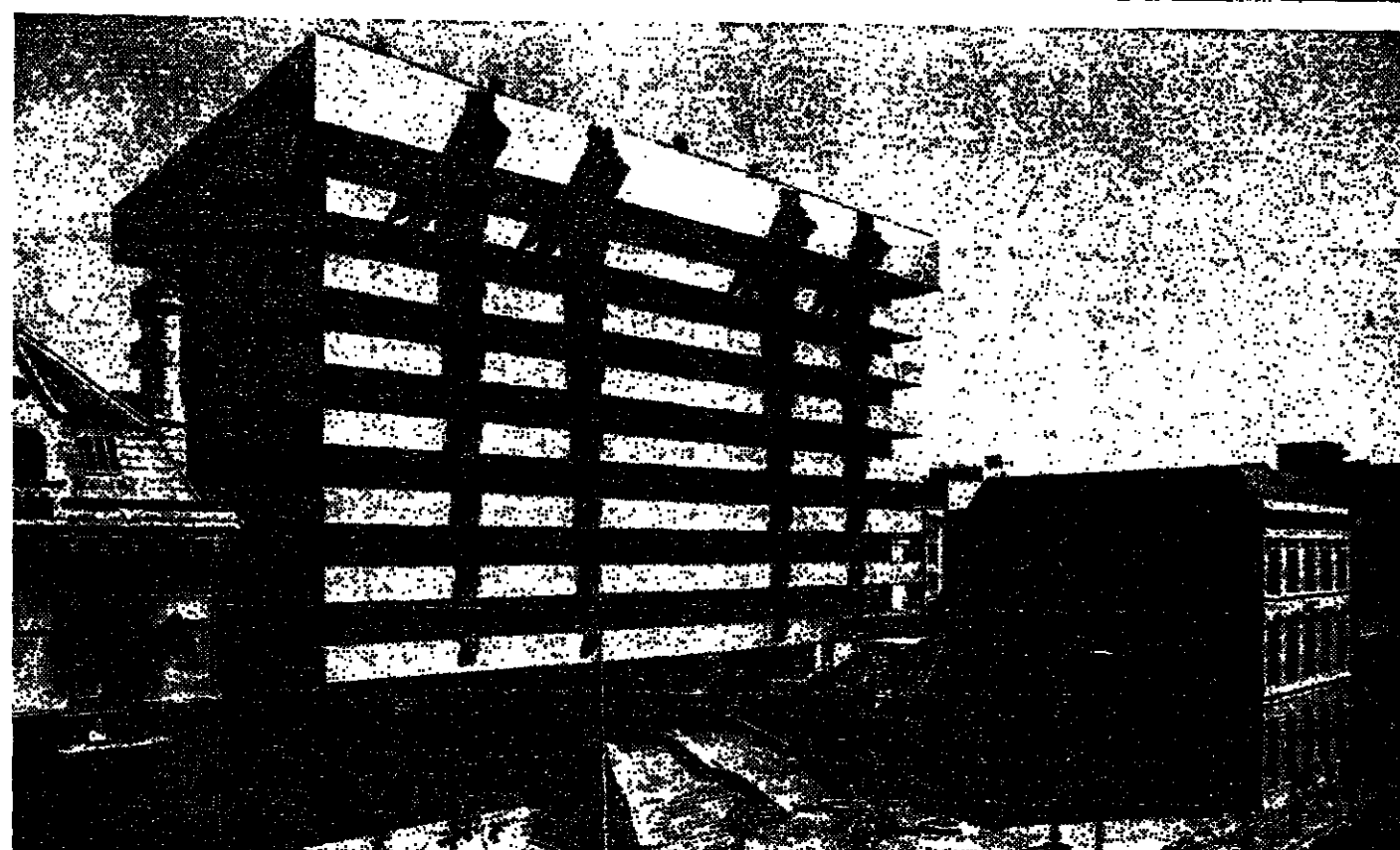
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Architecture

The Irish Connection

by COLIN AMERY

Two exhibitions in London give a good indication of the past and future of the architecture of Ireland. *Irish Palladianism and The Evolution of Irish Architecture* are both at the Royal College of Art in Kensington Gore and run until March 7.

The Palladians are the most seductive of the architects of Ireland; somehow their version of Italian styles is much closer to the original. The extensive tours of Europe undertaken by Richard Castle and Edward Lovett Pearce during the early eighteenth century certainly had a lasting effect. Irish Palladian houses by either of these architects or their pupils have a clarity and dignity that surpasses their equivalents in England. The exhibition is a simple display of evocative photographs, many of them conveying the atmosphere of the Sabine farm transferred to the

Irish shores. The photographs of the ruins of Summerhill Co. Meath show what an original and dramatic house it was. Beaulieu, Bellamont Forest, Castleown are all houses of magical beauty.

The exhibition shows how relatively brief the flowering of Palladianism was and how the great architectural competition for the Royal Exchange in Dublin marked the turning point into Neo-Classicism. A writer in 1769 described the architects of the new Neo-Classical Dublin buildings as "moving into a marvellous light."

The other Irish exhibition, although it is about the current practice of architecture in Ireland, tries to relate the work of today to the influences of the past. It also tries to show that Ireland has, since the days of

the distant mounds of Co. Meath, evolved a tradition that is distinctly Irish. What is most clearly revealed is that the Irish architect has always learned from abroad and returned home to perfect his ideas. Current practitioners in Ireland are much under the influence of the United States and it is possible to find modern buildings in Dublin that are as good as anything in Chicago.

Michael Scott has beautifully interpreted the architectural disciplines of Mies van der Rohe, and his Television Centre outside Dublin remains one of the best collections of modern buildings in Ireland. Trinity College, Dublin has had the boldness to add two adventurous modern buildings by Ahrends, Burton and Koralek to the sedate campus. These architects hail from England and it is perhaps significant that their finest work is probably in Ireland.

Recently in Dublin a new kind of architecture has been very apparent as the office boom and the prosperity of Ireland takes on an architectural form.

The architectural practice most responsible for this new look is Stephenson Associates. Sam Stephenson is something of a Texan on the Irish scene. His buildings are bold and adventurous and have won him both esteem and brickbats. The huge reflective pavilions of the Bord na Mona building in Dublin would be at home in Dallas as Dublin.

One of the most controversial new buildings in Dublin is Mr. Stephenson's Central Bank of Ireland in Dame Street. This is a beautifully finished tower of offices, the floors suspended from a central core of services. Each floor is given extra support by vertical hanger bars that are a highly visible element of the main facade. The tower is set back from the street and approached by a great flight of steps that lead into an impressive high lobby. The interior of the building is extremely well finished and much admired by the work of contemporary Irish artists. By any standards this building is an architectural tour de force—strong stuff and memorable.

ICA

Gerald Barry

by DOMINIC GILL

Reports from the Dublin Festival of 20th-Century Music two years ago suggested that Gerald Barry (b.1952) was one of the most original and enterprising of the younger generation of Irish composers. Not so many works of any quality, good or bad, cross the Irish Sea these days to England: all the more praise to Adrian Jack's Musica series for devoting one of its programmes in collaboration with A Sense of Ireland—to Barry's music on Sunday night.

Enterprising, certainly; and original—though Barry is a pupil of, among other composers, Maurice Kagel: and none of the four works in his concert was quite without an identifiable savour, a certain wry, surreally bitter-sweet Kagellian ring. Two were pieces of music-theatre—or pieces, rather, which derive from that region (also peculiarly Kagellian) half way between theatre and music, dreaming and a waking, circus and art. The first, for solo actress/soprano, called *De Colloque*, passed me by entirely. I confess bewilderment, perceiving nothing of coherence in the title, manner or mode of the work, or in its visual gestures (of which at

least half the piece consisted), or in its minimal sound-score. Barry's other theatre-piece, *Things That Gain By Being Painted*, by contrast, had real centre and real spirit. Miss Griffith in her role as speaker/singer was joined by cello and piano and (disembodied) male voice; her text was abstracted from the endlessly entertaining 10th-century Japanese Pillow Book of Sei Shonagon—which she delivered in beautifully timed, outrageous tongue-in-cheek accents of High Texan Camp. The music was necessary but wholly subordinate: a succession of ambivalently tonal/atonal cameos, touching as often as not for their sheer irrelevance as for their aptness. Very crazy; very nice.

Royal College of Music

Zimmermann's Dialogues

Bernad Alois Zimmermann committed suicide in 1970, at the age of 52. In one way and another, he seems even to be posthumously unlucky. On Sunday we had the first British performance of his ambitious *Dialogues* (1960) for two pianos and large orchestra in a BBC Symphony College Concert—an out-of-the-way affair, not much advertised, given in a hall which barely accommodated a modest but interested audience, and with the solo pianos concealed at the back of the orchestra because nobody had come to move them in time.

At least the work sounded well prepared under Michael Gielen, and its dedicatees the Kontarsky brothers delivered the piano parts with sensational clarity and despatch. *Dialogues* has seven sections, and its vast orchestral forces—some woodwinds in fives with saxophones in addition, three timpanists, nine other percussionists—are fully and imaginatively used, though rare all at once.

Clearly, Zimmermann took the speaking sound-colours of *Jeux* as an ideal model, though what he made of it is stamped with his own very different personality. In fact, *Dialogues* is subtitled "Hommage à Claude Debussy," (and that master's *Jeux* is briefly quoted in the music to poignant effect, along with Mozart's K.467 Concerto—on marimba before a piano gets it—and the "Veni creator spiritus," hymn).

DAVID MURRAY

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Munich Brass Soloists

While Philip Jones's players tour Germany, the Goethe Institute reciprocally present the Munich Brass Soloists here. Drawn from the Bavarian Radio Symphony Orchestra, they are an ensemble, six in number, who aim to revive the entire brass repertoire from the Renaissance to the present day "by means of exemplary interpretation."

To the conventional combination of two trumpets, horn, trombone and tuba (a very recent American invention) they have added a trumpet—and this apparently lets in a host of neglected pieces, unearthed, they claim, by "intensive research." Certainly their programme on Sunday stretched from Giovanni Gabrieli to Joseph Horowitz, but—concentrating as it did on baroque works in the first half and light twentieth-century music in the second—was hardly comprehensive. Nor can their "research" be said to have yielded either authentic — the opener was an arrangement of Handel's *Pesceremus*—or profound results. Like most

brass recitals (Philip Jones generally though not always proves an exception) it was an evening of damp squibs. The problem perhaps lies deep: our experience of brass sounds is so archetypal that their use on anything less than a grand scale or for a less than momentous occasion is practically bound to be a vexation.

If Gabrieli's *Consonanza* just meets an expectation, Gottfried Reiche's (1667-1734) *Baroque Suite* had all the might of one of those somnolent school arrangements its title conjures up. Eugene Bozza's (b.1905) deft, little *Suite Française* evoked the most exemplary rendering from the Munich Soloists—its *piu mosso* first movement being discharged with splanetic brilliance. But the Quintet by Jan Koetsier (b.1811), despite the participation of all six players, could no more be redeemed from tastelessness than the blandness of Joseph Horowitz's (b.1926) *Music-Hall Suite* was able to assuage with its wit.

PAUL DRIVER

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Safeguarding nuclear power

PRESIDENT CARTER at the London economic summit in May 1977 proposed that the nuclear nations should mount a major re-appraisal of the development of civil nuclear technology. His administration believed firmly that there were courses the world could take which would make it much harder for more nations to diversify into nuclear weapons, but which may have been bypassed for economic or other reasons.

Britain, France, Germany, Japan and other nuclear nations told him that he was wrong: that he was gravely underestimating the careful thought already put into the problem of nuclear proliferation after the bombs on Japan. There was no "technical fix," no way of preventing a nation determined enough to acquire nuclear weapons from doing so.

Denial

Nevertheless, the seven-nation meeting at 10 Downing Street agreed to participate in what became known as the International Nuclear Fuel Cycle Evaluation (INFCE). This body, launched late in 1977, is holding its final meeting in Vienna this week. To the surprise of few who have closely followed the issue of nuclear proliferation, INFCE has come to the conclusion that there is no technical solution which will allow a country to use nuclear energy without any risk that, if it so chose, it could diversify into weapons.

Plutonium is a natural by-product of all useful nuclear fission reactions. Plutonium is itself a fissile material, and therefore both a potential nuclear fuel and a nuclear explosive. The Carter Administration, by declaring in advance of its call for INFCE a "policy of denial" whereby it proposed to ban the refining of plutonium from spent nuclear fuel and the development of the commercial fast reactor, plainly hoped that the exercise would endorse its policy.

In the event, INFCE has not endorsed U.S. policy. It has left the U.S. somewhat isolated, with a policy of denial which no-one else is inclined to follow, but from which it shows no sign of shifting, in spite of the fact that it flouts all basic principles of fuel conservation. The fast breeder type of reactor is probably the most dramatic

ally effective technology for fuel conservation anyone has ever invented.

But if INFCE has failed to deliver the justification sought by the Carter Administration, that is no reason for seeing it as a waste of time. It could turn out to be a turning point in international nuclear affairs.

The U.S. has succeeded in alerting nations to the proliferation risks of freely using plutonium as fuel for today's commercial reactors. This works, but the fuel savings are marginal and scarcely commensurate with the risk of proliferating plutonium fuel-making plants in almost every country using reactors. The big fuel savings will arise when plutonium is being burnt in fast reactors.

In addition to pointing up the potential advantages of fast reactors, INFCE has brought out the fact that proliferation is a political problem and calls for a political solution. Britain, which has taken a leading role among the 46 nations participating in the INFCE exercise, has been instrumental in promoting a "building block" approach to the institutional question. The cornerstone could be international storage and management of the plutonium separated from spent fuel at Windscale, Le Havre and elsewhere. Other building blocks: required cover such matters as the guarantee of nuclear supplies to customer nations, storage of spent nuclear fuel and improvement of international safeguards.

Complete set

INFCE has provided a forum for the non-nuclear nations to make it plain that a crude instrument of policy such as the U.S. Non Proliferation Act just will not work. If nations are deliberately deprived of nuclear technology they will find some way of developing it.

Yugoslavia, a fledgling nuclear nation, has played an important role as spokesman for the nations most worried by the policy of denial. Its latest proposal is that the forthcoming United Nations conference on international uses of nuclear energy, planned for 1983, should be the target date for a complete set of building blocks. This will be a difficult target to meet. But for that very reason INFCE's participants should use it to sustain the very real progress achieved since President Carter's initiative.

Nationalism in the EEC

ONE OF THE purposes of the European Community is to establish a tariff-free market of continental dimensions in which European companies are able to achieve economies of scale comparable to their American and Japanese competitors. The theory is that the free flow of goods and capital will promote competition and the efficient use of resources. Unfortunately, there are too many Community activities in which the theory has not yet been put into practice. While the removal of tariffs has created a genuine common market in a wide range of industrial and consumer goods, other barriers still exist which prevent the EEC from realising its full potential as an economic community. In two areas in particular—cross-frontier acquisitions and public purchasing—nationalistic attitudes remain very strong.

Bureaucracy

On the first of these it is the French Government which has consistently been the least Community-minded of all the EEC member nations. In the past few years several British groups have sought to take over French companies but, having secured the approval of the management and shareholders, have found themselves blocked by bureaucratic delays while the French authorities attempt to find an alternative French-owned bidder. British Petroleum, Lucas Industries and most recently, Thorn have found themselves in this position. Thorn's bid for Locatel, the French TV rental company, has been held up for more than seven months and it now appears that the two big French electronics companies, Thomson and CGE, have been induced to put in a competing offer.

The intervention has been justified on the familiar ground that Locatel occupies a key position in a strategic industry which the French authorities are anxious to strengthen against Japanese competition. The French Government is presumably happy to see Thomson buy up electronics companies in other parts of Europe, but wants to protect its position in the domestic market.

This attitude is not only inconsistent with the French authorities' support for leading

companies like Peugeot and Michelin in their international expansion. It also illustrates how the fear of international competition, even intra-Community competition, pervades industrial policy to the detriment of the Community as a whole. An even clearer example is the failure to open up purchasing by state-owned undertakings to Europe-wide competition.

The UK has been marginally more liberal in this field than some of its EEC partners, but a large part of the orders placed by nationalised industries is effectively reserved for British suppliers. Moreover the present Conservative Government, despite its general dislike for intervention in industry, is reported to be looking to public purchasing as a means of developing products which will suit the requirements both of the dominant domestic purchaser and of the world market.

Large mergers

Now it is true that attempts over the past decade to construct a European industrial policy have foundered, because there has been neither the political will nor the institutional structure to make it work. But while a European solution, directed from Brussels, to the problems of say, the Community's electronics industry is clearly unrealistic, European electronics companies are unlikely to be successful in world markets if they are prevented from competing throughout the EEC. That is why the removal of non-tariff barriers to trade is important.

It is also true that the fashion for trans-national European mergers has waned; several of the ones which did take place have had disappointing results. But the ability to set up or acquire companies in different parts of Europe is a useful competitive weapon, as a number of U.S.-owned manufacturers have shown. Barriers to inward investment, however desirable they may seem in particular situations, tend to perpetuate the pattern of separate national markets which is partly responsible for Europe's competitive weakness in relation to the U.S. and Japan.

Unlimited liability challenge puts pressure on Lloyd's

BY JOHN MOORE

THE legal action launched by Brigadier Peter Acland and 37 other members of Lloyd's of London against Lloyd's itself is the most serious of all the recent problems arising in the troubled insurance market.

In its long history of nearly 300 years, Lloyd's has never faced a legal action of the kind now being brought by its own members. The proceedings have raised major questions about how this most club-like of insurance institutions conducts its affairs, and the implications for the future operation of the Lloyd's market are far-reaching.

Brigadier Acland, heading the litigants, listed in alphabetical order, and his fellow plaintiffs—who include Lord Napier and Ettrick, private secretary, controller and equerry to Princess Margaret, Lord Kintore, Lord Fortescue, and senior executives of major companies—are challenging their liability for a large part of some £20m of insurance losses of a Lloyd's underwriting syndicate. They claim that there has been a number of breaches in Lloyd's market procedures. Lloyd's is defending the action, which is also being brought against several underwriting agents, the Lloyd's companies which look after the members' affairs.

The members suing Lloyd's all belong to a 110-strong syndicate, one of 403 such units at Lloyd's into which the market's 18,500 members are grouped. The syndicate was managed by an underwriting agent, a company, Sasse Turnbull, and the underwriting was conducted on behalf of the members by Mr. Frederick Sasse.

Three-quarters of the membership of Lloyd's do not work in the market. They are the sleeping members who provide capital in return for a share of the market's profits. Each member of Lloyd's, who usually has to show means of £100,000 on joining, commits himself—under the principle of unlimited liability—to the full extent of all his personal assets to cover his share of claims on risks accepted on his behalf. He invests a large degree of trust in those who look after his affairs at Lloyd's and relies on the doctrine of utmost good faith to ensure that business transacted on his behalf is done so in the correct manner.

Lloyd's ability to pay up on every claim because of its extensive chain of security throughout the market, which is ultimately backed by the wealth of the private members, has gained the market a considerable international reputation and enormous goodwill.

Now the basic concept of unlimited liability is being challenged not merely because 38 members are seeking to avoid insurance claims which may have arisen from bad underwriting, but rather because they are insisting that they should be able only if the market is properly controlled.

Lloyd's, for its part, has given an undertaking to the courts

that—regardless of the outcome of the Sasse action—insurances which are disputed will be "duly processed and, if found to be in order, will be paid."

The story of what has become known as the Sasse affair dates back to the mid-1970s. In 1975, the Sasse syndicate, No. 782, was approached by a Lloyd's broker, Brentnall Beard International and a binding authority was negotiated.

Binding authorities have been in use at Lloyd's for over 50 years. They are devices whereby a Lloyd's underwriter delegates his authority to approved brokers (not necessarily a Lloyd's broker) or to agents to accept insurance, within agreed limits, on the underwriter's behalf. Through the use of this device, the underwriter has effectively given his pen to an insurance specialist, often based abroad, to accept business for the syndicate.

These devices have been widely used for drumming up general insurance and aviation business and they contribute a significant part of Lloyd's £2bn annual premium income. The binding authority which was negotiated with Sasse by Brentnall Beard eventually allowed a company in the U.S. called Den-Har Underwriters to accept insurance business for the syndicate.

To provide some safeguards, Lloyd's Underwriters' Non-Marine Association, the market association of the general insurers, provides a private vetting service so that potential holders of a binding authority can be screened before one is granted. This is known as the tribunal procedure.

Lloyd's Policy Signing Office, the central administrative service which processes all Lloyd's policies and is organised by a board of management, answerable to the Lloyd's ruling committee, says in its procedural manual that all binding authorities issued in the U.S. must observe tribunal rules. The authorities must be submitted to the office for signing and sealing.

Den-Har Underwriters was not made subject to the tribunal procedure; yet it produced insurance business for the

syndicate. The business was channelled to the syndicate by Den-Har through Brentnall Beard International. At the same time and under a different arrangement reinsurances were being carried out for the syndicate on the Den-Har business through a reinsurance specialist in the U.S., Intra Global Reinsurance Facilities.

Intra Global had an authority from the Brazilian reinsurance group Instituto de Resseguros do Brasil and therefore the reinsurances were channelled to the Brazilians. The Brazilians disputed the terms of Intra Global's authority and later refused to pay up when the Sasse syndicate attempted to claim \$13m under alleged reinsurance contracts.

From the Den-Har source the syndicate showed losses of \$18m which mainly arose from low quality fire insurance on properties in the New York and New Jersey area. The business had been secured through numerous other insurance specialists who had been undercutting the state insurance schemes which accept property risks unacceptable in the commercial insurance market.

When in 1976 Lloyd's U.S. attorneys learnt what had happened, they warned Brentnall Beard in London about the quality of the insurance business and explained that they knew that Den-Har had not received approval under the tribunal procedure. But it was too late because the premiums on the issued policies and the claims were beginning to fall on the syndicate.

By November 1976, Lloyd's, acting through Mr. Alec Higgins, its deputy chairman, and Mr. Leslie Dew, the acting deputy chairman, stepped in to correct the position. They called upon Brentnall Beard to submit all necessary documents to the Lloyd's Policy Signing Office. The binding authority which had not been signed or sealed by the office as required during the underwriting of the business, was processed and all claims settled by the syndicate.

The main points of the members' action against Lloyd's contends that:

● Lloyd's breached fundamental rule 3 of the Lloyd's

Lloyd's Fundamental Rule No. 3

All underwriting business transacted at Lloyd's shall be conducted in the underwriting rooms, and not elsewhere.

Extracts from Lloyd's signing office procedure manual

When negotiating binding authorities underwriters must incorporate any specific agreements or terms laid down by the Committee of Lloyd's or agreed by the underwriters' associations for the type of business or the area from which business emanates (e.g. in the case of U.S. business there must be compliance with the agreed territorial limitations, U.S. cover conditions and tribunal rules).

Binding authorities must be submitted to the relevant section at Lloyd's Policy Signing Office for signing and sealing. Non-marine and aviation binding authorities are handled in the non-marine departments; marine binding authorities, if any, are handled in the marine department.



An underwriting box at Lloyd's.

Act of Parliament of 1871 by allowing business to be conducted through binding authorities. The Act says: "All underwriting business transacted at Lloyd's shall be conducted in the underwriting rooms and not elsewhere."

● Contracts of insurance had been entered into by various parties although they had no authority from the syndicate.

● No authority could be given because the American producers had not received tribunal approval.

● The Den-Har binding authority had not been signed and sealed at Lloyd's Policy Signing Office when the contracts of insurance were entered into.

More startlingly, it is alleged in the members' action, and in a third party action against Lloyd's launched by Sasse Turnbull, that Lloyd's was in breach of its duties to members when it acted to legitimise alleged irregularities retrospectively in the underwriting, presumably to protect the good name of the Lloyd's market.

The Den-Har problem was not the only trouble spot for the syndicate. Business was produced through a binding authority in Canada which produced losses of nearly £57m. That authority, it is alleged, was never signed or sealed by Lloyd's Policy Signing Office for the 1977 underwriting year although contracts of insurance were entered into.

The syndicate also took on so much business through the binding authorities that it breached its premium limits—carefully related by Lloyd's to

the amount of capital that backs a syndicate—by 400 per cent in the 1976 underwriting year. The remainder of the syndicate's losses consist of \$6m on computer leasing, an area of insurance which is expected to produce the largest-ever series of losses—£156m—in the Lloyd's market; and entertainment and leisure group insurances and other liabilities.

The Sasse syndicate has been stopped from trading at Lloyd's and losses have been arranged by Lloyd's for members of the syndicate.

Litigation arising from the Sasse affair has demonstrated that there is a new mood at Lloyd's. Its cosy fraternal atmosphere is disappearing rapidly. Members of the market are not prepared to accept Lloyd's methods of legitimising insurance business to protect the good name of the market if the powers of the ruling bodies can be questioned.

In these circumstances, they are even less likely to be prepared to pick up the bill to protect Lloyd's good name.

Lloyd's has already acknowledged that its two principal Acts of Parliament, of 1871 and 1911, have long been outdated by the requirements of the market. In its defence in the Sasse action Lloyd's says that the 1871 Act in relation to binding authorities is now contrary to the long-established custom and practice of Lloyd's and is obsolete.

Lloyd's is hoping that the recommendations of an internal working party—due to report at the end of next month on self-regulation within the ket—will provide a pack answers. The working party, headed by Sir Henry Fisher, has been viewing the constitution of Lloyd's. A new Act of Parliament would be needed as a res the working party's findings. So far, the Sasse affair challenges Lloyd's ability to participate in modern insurance and reinsurance through the use of long-established delegated mechanisms. These mechanisms allow substantial business volumes produced and detailed reinsurance programmes to be arranged quickly with the mum spread of risk. But premium rates depressed in many insurance because of wide competition. To business: both brokers underwriters are some neglecting commercial defence and occasionally caving in procedures. A recourse to law by members of the Sasse syndicate to dispute their liability established a disturbing precedent for the Lloyd's market. It shows that the wider membership of Lloyd's is concerned that its common capital may be put at risk an unacceptable and untidy fashion because of weak in the checks and balances in the Lloyd's market. Unless the weaknesses dealt with thoroughly by Fisher team, the Sasse action could be only the start of Lloyd's problems.

MEN AND MATTERS

Milton tackles Chinese puzzle

Milton Friedman, bandmaster, choreographer and star of the world's longest-running monetarist roadshow will fold his tent on Friday and leave London for a brief respite in the U.S. after two years on the world lecture and TV circuit. His first task will be to sit down with collaborator Anna Schwartz and titivate the first draft of volume three of his magnum opus, tentatively titled *Monetary Trends in the U.S. and UK over the past 100 years*.

Although he is "absolutely fed up with travelling," come September, the 83-year-old free marketeer will hit the road again; this time for Peking. He thinks "I have a lousy memory" ("The Red one is the People's Republic, isn't it?") to air his theories on money and inflation and his economic prospects for Europe. His grand finale, however, will be a dissertation on how to reconcile market pricing with centralised planning.

"It is impossible, of course," he avers with characteristic certitude, but he hopes to give the Chinese a helping hand along the well-trodden path followed with varying degrees of sure-footedness by other Communist countries which have tried to ease economic problems caused by the rigidities of central planning.

The chirpy dogmatic professor, whose theories are being aired in a BBC discussion series, shrugs off the sceptical assaults like those launched by Lord Kearton, Eric Hoffer et al in last weekend's broadcast. "The British participants," he condescends, "have a style wholly different to that in the U.S. You have a very ancient tradition here of vigorously examining debating points and other irrelevances."

He has harsher words still for that sector of his critical public in the U.S. which "picked and pilloried" him on his return from a lecture visit to Chile. The only demonstration we



shall see after his China trip, he says, will be of the "double standards of the intellectual community."

"I have been thinking I may have to hire people to picket me... just to keep things in balance."

Disney pays

Those animated entrepreneurs, Messieurs M. Souris and D. Canard, I can reveal, are on the brink of signing a £330m development deal with the French Government which should ensure that the tourist industry in the south of France continues to flourish for many years to come.

With financial support from backers, Walt Disney, Souris and Canard have agreed on the site and conditions for the construction of Europe's first and only Disneyland. While their spokesmen in London could offer only "no comment," Bernard Bertry, from the French Ministry of Youth, Sports and Leisure tells me that the contract is expected to be signed before the end of the month in Miami.

Disney, I understand, wanted to build his giant open-air fun palace near the Charles de Gaulle airport and close to the

teeming populace of Paris. The authorities, however, concerned about the possibility of plane crashes, and fretting about the vagaries of the northern climate, eventually persuaded the U.S. investors to accept free a 2,500-acre site north of Marseilles.

While it will be off the route of the travelling millions who annually head eastwards into Europe in general, the new Disneyland will be ideally sited—from the French point of view—close to the two main routes to the Riviera and Mediterranean sunshine, and seems certain to attract a large proportion of holidaymakers—not to mention their pocket money.

Taking note

"Some people never lose an opportunity to make money is a tired and no doubt irritating witticism familiar to De La Rue, purveyors of banknotes to nations large and small. I hear that the company's emissaries have been in Tehran trying to do what comes naturally. With faith in banks reduced by general uncertainty, a certain propensity in recent times to burn them down, and a promising growth in the inflation rate, one could describe banknotes as a growth market."

It is early days, however. Decisions in Iran emerge at a dignified speed from Qom—and for the time being the notes emblazoned with the Shah's head are still doing the rounds. The Iranian mint has overprinted his features with a cross, or sometimes with an abstract motif; otherwise it is left to individual revolutionary whim to ink in derogatory moustaches, devil's horns, and other devices, around the distinguished profile of the now exiled monarch.

De La Rue has prepared a new range depicting appropriate Islamic themes. Even when Iran wants to cut itself from dependence on foreign suppliers, De La Rue at least is confident of winning fresh orders with the new order. It is, apparently, willing to sell Iran the printing machines themselves.

In keeping with its traditions, De La Rue says discreetly: "The Shah's face is on a lot of banknotes... it would be surprising if we weren't talking to them."

Numbers game

East Germany, which normally maintains a prostrate relationship with the Soviet Union, has startled even its own citizenry by revealing that it won the Winter Olympics in Lake Placid. The Soviet Union, with ten gold medals to East Germany's nine, also claims to have won.

But when it comes to sport the East Germans do not fool around, even with their big brother in the east. Since the Olympics lack an official scoring system, East Germany has invented one—it awards seven points to a gold medal, five for silver, four for bronze, and so on down to one for sixth place. Result: East Germany 155, Moscow 148, U.S. trailing with 97.

Characteristically, no-one is actually saying the East Germans won; instead a table of results is prominently displayed in all the newspapers. To soften the blow, the Press has played down the American ice-hockey victory over the Soviet team, noting that the U.S. team "prepared itself long in advance for these games."

Working hols

For the benefit of readers seeking to diversify their portfolios by buying foreign stocks or bonds, I pass on the pointed advice given to pension fund managers at their Eastbourne jamboree last week. If you intend to invest in Spain, they were told, make your purchases between April and August. The change in the Spanish Stock Exchange's settlement system is such that investors will almost certainly have to visit the country to sort things out, so you might as well take the wife and make a holiday of it.

Observer

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Comeback of patriotism

AT ABOUT 1.30 on Sunday afternoon the United States started its ice hockey team just a bunch of lightly regarded college kids, not the toothless Canadians who dominate the professional game, won the Olympic Gold Medal. American flags were being waved everywhere, impromptu motorcades formed in big cities at Radio City Music Hall in New York the Rockettes interrupted their high kicking routine to sing the National Anthem.

It was the first thing that Americans had to cheer about without affectation, for quite a long time. A sense of relief across the country was palpable. It took American minds off a series of puzzling international humiliations, even a crisis of leadership, at the very time when the quadrennial drama of the American presidential election was gathering its full head of steam.

Every four years that rare college of people who, for reasons best known to themselves, want to be President, set out in search of a Holy Grail that can transport one of them to the White House. The hidden ingredient is somehow the tapping of the popular will, the striking of a spark of response in the American public.

The task is not easy in a country grown disenchanted with its politicians and its institutions, increasingly fragmented. It can be harder in the mass media, in which saturation coverage by television turns every war into a boil, every peccadillo into a cardinal sin or—if luck is on the right side—every good point into a shining virtue, and which is itself prone to manipulation, distortion and persuasion.

Looking back it is obvious how certain politicians found the

key once control had been removed, from the smoke-filled room. The youth of John Kennedy offered hope in 1960, as a contrast to the sterility of the later Eisenhower years; the packaged stability of Richard Nixon seemed a better alternative in 1968 to the war-torn and assassination-decimated Democratic Party. In 1976, in the depths of the post-Vietnam, post-Watergate depression, when everything that moved in Washington was somehow tainted, an outsider in the shape of an unknown southern governor, Jimmy Carter, met the demand for change.

The party primaries themselves, now extended from a misbegotten stroll to a gruelling marathon, have turned graphic evidence, witness the successes of Barry Goldwater in 1964 and George McGovern in 1972, both able to light a fire under a deeply committed wing of their party.

Understanding

But looking forward to 1980 it is not easy to feel the public pulse. Internal crises in Iran and Afghanistan have turned such tenuous conventional wisdom as existed on its head apart from the fundamental wisdom that under heavy pressure a country tends to rally round its elected leader. Nobody, for example, could have guessed that the sense of belated outrage so evident last November, after the hostages were seized in Iran, would, nearly four frustrating months later, have given way to the current patience and understanding still accorded President Carter as he tries to arrive at a peaceful solution; the war tremors felt last month after the invasion of Afghanistan seem to have subsided—but by

the same token nobody is placing bets on how long tolerance will prevail.

To be sure, the external crises have accentuated the conservative trend in American opinion. There will, in 1980, be no serious guns or butter debate, even though it is both apparent and accepted that the domestic state of the nation is in some degree of disrepair. Consistent of the national mood, not even the candidates of what passes for the Left in the United States, Senator Kennedy and Governor Brown, are talking of actually cutting defence spending, as they would have not so long ago. The President who made such a pledge in 1976, and all the Republicans seem to be vying with each other as to how much extra needs to be spent.

Escaping from the myopia of Washington it is easy to see why this is so. In the bars of Irish Boston, in the mill towns of Maine and New Hampshire, salt is what you put on the table, not negotiate with the Russians. Detente is simply a French word. War is something nobody wants to contemplate, but there is a very evident feeling that America is being put upon too often, abandoned by its friends too readily, and pushed around too much. At the very least, it is felt that America had better be in a position to protect itself if necessary.

It is instructive that Mr. Jerry Brown, Governor of California, who, whatever his other defects, has the keenest nose for the prevailing popular wind of any current politician, is going around maintaining that if the allies bore their proper share of the common western defence burden, then the U.S. would have resources to spare to solve its domestic problems—as well as being free to measure up to foreign competition.

Republican candidates for the Presidency have of course always relied on the patriotic appeal and this year they detect a rich lode and are mining it for all its worth. Rarely have the legends of Washington, Lincoln and Theodore Roosevelt been so frequently invoked, rarely has so much martial music featured in so many political commercials. And, it must be said, President Carter in his new tough incarnation, is not exactly ignoring that patriotic market. But the audience still retains some cynicism.

At the same time all logic dictates that sooner or later domestic concerns, specifically inflation and energy, must come to the fore. No President and no controlling party in Congress ought to relish the prospect of defending an economic record such as that which Mr. Carter and the Democrats will have to defend in 1980. Every known public opinion poll puts inflation as the number one domestic concern. But it must also be said that there is a world of difference between the gnashing of teeth so prevalent in Washington and Wall Street and the general level of prosperity still so evident in what is often described as "Main Street, U.S.A."

New Hampshire, to take one example, is currently enjoying the sort of economic boom that belies its traditional reputation as a poor state saddled with unprofitable and declining textile and shoe industries. Unemployment here is but 3 per cent, half the national average. Recreation industries are booming, the current snowless winter notwithstanding.

Trooper G. F. Rousseau, of the State Highway Patrol, has few complaints these days. He does worry about inflation, but this is more than offset by the fact that he is a partner in a lucrative logging and hardwood busi-

ness on the side. Like many other Americans in an economy that has expanded for well over four years he has found it possible to adjust to the challenge of inflation.

Second jobs and working wives are no longer the product of economic necessity. They have become another manifestation of the American dream of self fulfilment. Regardless of the conservative trend in the nation, it is possible to detect a certain reserve among the public about the more simplistic solutions to economic problems currently being sold by the candidates. No student I have yet heard has been turned on by arguments over cutting taxes and balancing the budget.

It also matters in the current political climate that the country has enjoyed the generally mild winter. This has acted as a cushion against stiff increases in the cost of energy, particularly home heating oil. It has certainly weakened the immediate impact of those who contend that retention of Federal controls on energy prices is the only solution. The conservationist cause on the other hand is rather stronger than it has ever been in the past. Moreover, those who are not so fortunate as the poor, the old, those on fixed incomes—no longer comprise the national political constituencies they once did, when the creation of Franklin Delano Roosevelt's classic Democratic coalition of the underprivileged classes was the clue to electoral success. Lip service, sometimes more, certainly is still paid to the cause of the disadvantaged, but real influence now resides much more in the hands of the narrower more sophisticated special interest groups, which politicians ignore at their peril.

Wherever one goes in Campaign 1980, these groups will be evident. Here in New England



A roaring, happy crowd outside the Lake Placid Olympic Arena on Sunday celebrating America's Gold Medal in ice hockey.

the most visible (and incidentally the most polite) is the anti-nuclear lobby; but the right-wingers, the feminist forces, the gun lobby, the oil interests, assorted religious beliefs, to name but a handful of an endless list, will all make their presence felt. And to each of their demands it is incumbent upon a presidential candidate to have a careful response.

Diversify

Any attempt to assess the national mood as the election year commences has to take account of the obvious—that the U.S. is a big and very diverse country. It is not merely a question of Iowa differing from New York, but of Iowa differing from neighbouring Minnesota or New Jersey. Parochial concerns still matter enormously; what concerns Washington, whether or not Mr. G. William Miller should stay on as Treasury Secretary—is invariably the subject of indifference elsewhere.

One may generalise to a degree by saying, for instance, that the West and the South are more conservative than the Mid-west and the North-east; and that all parts of the country seem to be united at present in an often ill-defined dislike for what Mr. George Wallace used to call "pointy headed bureaucrats of the Potomac." But to go much further is dangerous. Six months ago it was reasonable to assume that Senator Kennedy could not lose an election in his New England kingdom. He has already lost one in the State of Maine. It would be unwise, equally, to assume automatically that President Carter's southern fortress is impregnable.

But there is a common denominator in the shaping of the mood of the public. Mr. Walter Cronkite, the newscaster, unites California and Maine every night of the week. The way in which television presents the news is often drawn from the heavyweight newspapers of the East. It was,

in a sense, the New York Times which discovered Jimmy Carter in Iowa in the autumn of 1975. The discovery then was magnified by national television. This time around the spotlight shone on Mr. George Bush and lifted him from obscurity; television's cool cameras can show Mr. Ronald Reagan's real age (83); one television interview with Senator Kennedy on the subject of Chappaquiddick wiped out in one stroke the early optimism surrounding his campaign. The interpretation placed on election results by the media can make or break any candidate. Morey winning a primary these days may not be enough if the pundits declare, and the public comes to believe, that the margin was insufficient.

These are all some of the factors with which ten serious Presidential candidates are grappling. They all probably wish that the task was as straightforward as that accomplished by the Olympic ice hockey team: six victories, no draw, and—open sesame!—lunch at the White House.

Index-linked securities

From Mr. Graham Thompson

Sir,—Samuel Brittan has in a number of recent articles put forward the case for relating interest rates on Government stock to the rate of inflation. The obvious good sense of his views has led me to wonder whether there would be an even greater benefit were we to take this one logical step further by indexing not the interest rate but the nominal value of the security. This would obviously cause administrative difficulties in a traded stock but the possible advantages are large enough that this might be a small price to pay.

First, by providing an inflation-proof home for savings or investments a very low interest rate would be possible. Indeed, neither a nil nor negative rate is out of the question although the psychological advantages with a positive rate, however small. Second, it would avoid the present market disturbances caused by the massive cash flows currently involved in paying a high rate of interest and raising more money in the market to finance this on top of the Government's borrowing to cover expenditure. Third, it would impart a greater reality to the actual size of the Government's borrowing requirements. There is a good deal of evidence to suggest that the greatest problem caused by inflation is the distortion of perceived reality that it produces. If this is so, this final point may be of greater importance than it might at first sight appear.

To take up another idea propounded by Mr. Brittan, were the issue of such new stock accompanied by an offer to convert all existing borrowing into similar stock then the mechanism of funding the PSBR would be improved and one of the dilemmas over setting current interest rates would be resolved.

The change I am suggesting is a procedural one rather than a "real" one and as such may appear to do little or nothing to improve the real economy. I am convinced, however, that much of the problem with the real economy lies in the attitudes of the people involved, whether in the Government, the trade unions or in the board room. Any change, even one that sharpens the country's perception of reality, could produce massive benefits.

G. Thompson,
158, Pennsylvania Road,
Exeter.

Local council finance

From the Leader of the Greater London Council

Sir,—Local authority debt per head of population is an interesting subject which will doubtless receive a boost from David Marsh's article (February 20) in which, it is alleged, a high figure of £288 and a low one of £80 can produce an average of £641!

However, your readers should be aware of two things. The first is that in order to draw comparisons of performance you must put like alongside like. The GLC and the County Councils do not run the same range of services and a comparison of their figures is therefore meaningless.

The second is that trends are

not always apparent from bald figures. The GLC, for example, has paid off all its non-housing debt and now need borrow for no service other than housing. Its capital spending on transport, port, canal relief and all its other services is now met from its accumulated capital fund, which is fed from rates and recycled assets.

Next year our rate contribution will be only £1m; this year we will have paid off £123m. Local authority finance is rather more than statistics!

Horace Cutler,
The County Hall, S.E.1.

Betting on the GDP

From Mr. G. E. Wood and Mr. R. A. Batchelor

Sir,—A frantic Dutch auction is under way. The bidders are economic forecasters. Under the hammer is this year's gross domestic product.

The Treasury itself started things off last November with a forecast of a 1 per cent fall. By January almost all commentators, with the honourable exception of the National Institute, were predicting a 2 per cent fall. From this week's Press it seems that the Treasury have come back with a pre-emptive 3 per cent.

Normally this might be regarded as good clean fun. Nobel laureate Paul Samuelson once likened economic forecasters to Eskimos sleeping in a bed; if one rolls over you can bet the rest will.

There is, however, more at stake than whether the Treasury has fallen out of bed. The Chancellor is already faced with an awkward price of budgetary arithmetic. The scale of public expenditure cuts has been talked down by interested ministers, and pessimistic forecasts of low domestic activity this year could well cause the Chancellor to compromise even further the principles on which his Government was elected.

We think the Treasury's pessimism is exaggerated. Even a 2 per cent fall in real output would be unprecedented in the year of deep and worldwide recession, 1975, output fell by less than 1½ per cent. The main reason for that fall was a steep fall in the purchasing power of liquid funds held by firms and individuals. When such funds are reduced, expenditure is curtailed to restore liquidity. In 1975 the fall in liquid funds was almost 20 per cent; in 1980 we—and all major forecasting organisations including the Treasury—expect a fall of only about 5 per cent. On this basis real output in 1980 should rise by a small amount.

A Chancellor should not allow the current sound of gloomy and mutually reinforcing economic forecasts to deflect him from his declared objective of reducing the size of the public sector.

G. E. Wood,
R. A. Batchelor,
Centre for Banking and International Finance,
The City University,
Northampton Square, E.C.1.

Not such a bad Town

From Mr. Geoffrey Smith

Sir,—Earlier this month London hosted an International Seminar for the American Society of Association Executives. This is a prestigious organisation of some seven

thousand directors of the professional associations that represent many millions of Americans active in their business and professional fields.

ASA's aim was to develop a working relationship with comparable associations in the UK and the rest of Europe; leaders from many of these joined in the London meeting.

ASA's chairman has just written to express appreciation for the "courtesies and tremendous hospitality" he and his associates encountered. He adds: "There just plain isn't a better overseas city in the world for ASA and its people, and having you pull it all together for us site makes the experience truly unforgettable."

Against the recent background of comment on our city's facilities and services, these remarks provide a welcome perspective. They are also a reminder that in a highly competitive international market place we in our buoyant conference industry have all to work and invest even more to continue to earn this high regard.

Geoffrey V. Smith,
Director London
Convention Bureau,
(Agency of London
Tourist Board),
26, Grosvenor Gardens, SW.1.

Status of engineers

From Mr. P. E. Harries

Sir,—Professor Garbutt (February 21) rightly mentions the relatively high status of accountants as compared with engineers.

What he misses is that situation is due entirely to the heavy flow of Government legislation regarding income-tax, corporation tax, stock relief, and etc. That is, the Government have made accountants essential.

As an ex-chartered engineer running a small limited company I have been impressed by the manner in which the accountants imposed on me by law have reduced my liabilities regarding corporation tax, income-tax and national insurance. In fact, I am very pleased. But they have not been wealth creators; just very able tax avoiders.

But one must recall the statement by Sir Michael Edwards that the lack of skilled engineers in BL has been more disastrous than all their strikes. This was well illustrated in a recent television programme comparing the times to assemble a car door lock at Volkswagen and BL. The engineering design and assembly methods at Volkswagen were distinctly superior to those at BL and no matter how effectively BL's workers had performed, they could never have competed with Volkswagen.

Last year a Daily Telegraph survey showed that skilled engineering technicians in the Midlands were better paid in their new jobs as traffic wardens.

Finally, if the accountants are that good, why have we as a nation such an extraordinary high level of stocks and work in progress in our manufacturing industries. The reduction of which to acceptable levels would release enough cash to finance all the cash industry could desire. Say £20bn. P. E. Harries,
Sheldon, Major York's Road,
Tunbridge Wells, Kent.

Industrial designers

From Mr. Stanley Oliver

Sir,—Douglas Garbutt's letter (February 21) makes interesting reading but I do not share his pessimistic view of the Finniston Committee's efforts.

Perhaps the sharp Dundee air has caused Professor Garbutt to contract the dreaded complaint of "accountants"? While suffering from this complaint, the patient believes that accountancy is the only solution to all industrial problems. It is invariably experienced by accountants and, in fact, accountants have become "socially acceptable" in British society because of their "white collar" image (the very worst thing that one can do is to dirty one's hands).

A "fool" could not make any of the advanced products manufactured in our modern society at all. Indeed, for example, very few companies could manufacture an aero-engine at all, even some of the exacting components which go into it.

There have been as many complaints from production engineers of "unimaginative accountants" in British industry refusing to finance winning technology which offers the possibility of attractive returns on capital expenditure. But we have now tired of slanging matches.

No, we really must have more highly-qualified and better trained engineers. We must have them soon, and in large quantities.

I remember a colleague having the good fortune to make a study tour of the U.S. and Japan in 1965.

On visiting the Matsushita Electrical Industrial Company (Osaka) he discovered that this

one company employed 120 industrial designers. Sixty were industrial design graduates from universities and colleges and the other 60 were recruited from high schools, given intensive training, and a company official apologised to my colleague that they were so undeveloped on this vital function and that it would be strengthened soon! (I know a very large British company which struggled to keep two full-time posts alive.)

My colleague was very conscious of design during the whole of his stay in Japan. As "design" is primarily concerned with "giving shape or order to things," he felt no surprise that the very great ability of the Japanese to do this in aesthetics overflowed to the general shaping and planning of things. Ample evidence of this is seen in shipbuilding, steel production and in electronics and synthetic fibres.

Potential customers do not buy "accountancy"—they buy sound and generally attractive products. Now is the time to use the "Finniston-spring-board" to promote production technology and industrial design as they have never been supported before.

It is pleasing to note that new degree courses in production technology are springing up all over the country which feature financial management strongly in their syllabuses, but true perspective must be maintained.

Stanley Oliver,
Senior Lecturer,
Department of Business Studies and Management,
Salford College of Technology.

GENERAL

UK: Welsh National Union of Mineworkers conference to decide action against National Coal Board.

Sir Geoffrey Howe, Chancellor of the Exchequer, speaks at Engineering Employers Federation dinner, London.

Mr. Roy Jenkins, European Commission president, speaks at Parliamentary and Scientific Committee lunch, London.

Prince Philip opens National Farmers Union growers conference and exhibition, Haringate.

Mr. Bob Wright, assistant general secretary, appears before Amalgamated Union of Engineering Workers executive on misconduct allegation.

Overseas: U.S. Presidential election primary, Concord, New Hampshire.

Mr. Charles Haughey, Irish Prime Minister, speaks at public hearing on EEC consumer protection programme, Dublin Castle.

President Julius Nyerere of Tanzania, meets leaders of frontline States to discuss Rhodesia elections.

Dr. Ellyahu Ben Elissar takes post as Israeli Ambassador in Cairo.

Today's Events

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PARLIAMENTARY BUSINESS

House of Commons: Companies Bill, remaining stages.

House of Lords: Criminal Justice (Scotland) Bill, report.

Select Committees: Social Services, Subject: Prenatal and neonatal mortality. Witnesses: Department of Health, Room 15, 4.30 pm. Foreign Affairs, Overseas Development Sub-committee.

Subject: Increase in overseas students' fees. Witnesses: High Commissioner of Sierra Leone, Council for Education in the Commonwealth, UK Council for Overseas Student Affairs, Com-

mittee of Vice-Chancellors and Principals, Room 16, 4.45 pm. Ombudsman, Subject: Report of Health Service Commissioner. Witnesses: Mr. C. M. Clitheroe, Health Service Commissioner, Room 1, 5 pm.

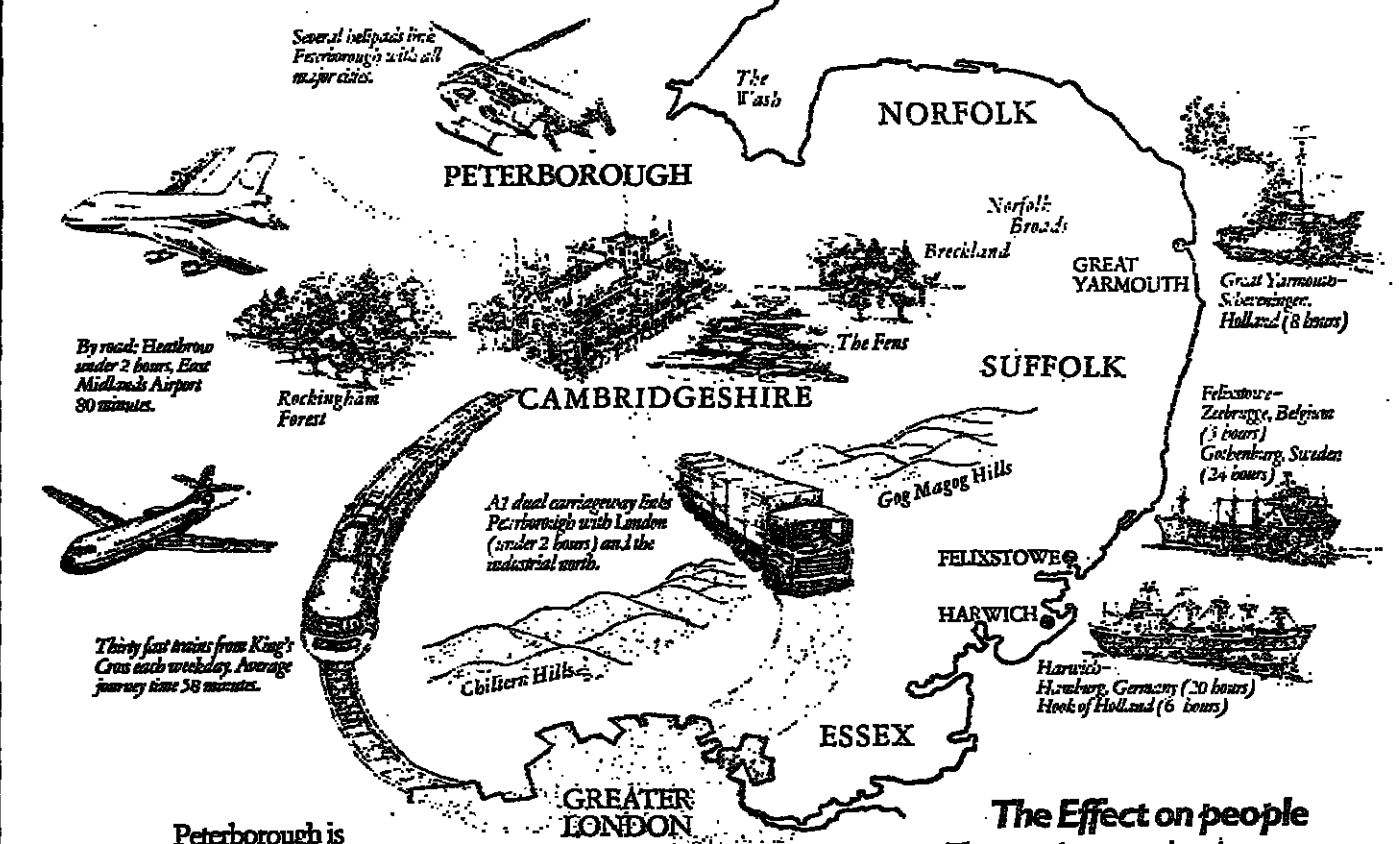
OFFICIAL STATISTICS

February provisional figures for unemployment and unfilled vacancies. January figures of bricks and cement production.

COMPANY MEETINGS

First National Finance Corporation, Winchester House, 10, Old Broad Street, E.C.2, 2.30. Nottingham Brick, Daybrook House, Ribblesdale Road, Sherwood, Nottingham, 12. Vectis Stone, Bugle Hotel, Newport, I.O.W., 12.

The Effect is closer than you think.



Peterborough is much closer to Central London than you think. The Inter-City journey time is down to under 50 minutes. It is close to Heathrow (under 2 hours) and ultimately the world. In the opposite direction, it's closer to the industrial north: Leeds 90 minutes, Tyndeside under 2½ hours away. By road the A1 is dual carriageway or motorway all the way.

And Peterborough is the major growth point closest to the expanding East Coast ports. All of which means that you and your products can move to and from Peterborough with surprising ease. That is one reason for the Peterborough Effect.

The Effect on growth, and exports

Job growth among new companies in Peterborough is over 15% (compared with a national fall of 1%). Almost everyone who has moved here has seen his business grow—often quite dramatically. Over 60% of manufactured output is exported too—a record better than Japan's and three times Britain's average.

The Effect on people
There are 65,000 workers here, many trained in the traditional engineering skills of the city. Others with experience of the latest technologies and services. They seem well pleased with Peterborough: employers report fewer stoppages and disputes, less job-switching, higher productivity.

Causes of the Effect

A major reason for these Effects is the instant availability of modern accommodation in Peterborough—for both firms and people.

A new house is guaranteed to rent or buy for every worker a company brings in (and rents and prices are very reasonable).

Industrial premises are ready too. From 500 to 40,000 square feet, at rents from £1.60 a square foot. And there's plenty of room to build on fully serviced sites.

Peterborough has an Effect on all who come here. If you would like it to work for you, ring John Case on Peterborough (0733) 68931 and find out more.

Find out about the Peterborough Effect

Peterborough
Cathedral city—new town

Blue Circle expects bid to succeed this week

Blue Circle Industries expects to be able to announce that it has obtained control of Armitage Shanks this week, and is holding final talks with institutions to persuade them to part with their stakes in Armitage.

Last week, Blue Circle stated that it had 45.5 per cent of Armitage, with actual acceptances making up 30.5 per cent. More tricked in yesterday and Baring's, Blue Circle's advisers, indicated yesterday that it was in no doubt that the target would soon be reached.

Armitage's largest shareholder, the Lebanese-owned Ceramics Investments BV with over 25 per cent, meanwhile, is adopting a more cautious stance. Having earlier rejected the terms worth over £30m, it is not now encouraging others to oppose it.

M&A Investments, Ceramics' adviser, is weighing up with the Lebanese—the German group—the relative advantages of remaining as a minority holder or accepting the bid, which has been extended until February 28.

Delay for Manchester Liners sale

Eurocanadian Shipholdings has informed Manchester Liners that the sale of its 37.5 per cent stake in the company to Canadian National Railways, a Euro-canadian shareholder, cannot go ahead until CNR has obtained approvals from the Canadian regulatory bodies.

Therefore, until these approvals have been given, Eurocanadian remains the beneficial owner of 4.3m ordinary shares in Manchester Liners.

CAPARO/EMPIRE PLANTATIONS

The offer for Empire Plantations and Investments by Caparo Group has been accepted as to 4.39m ordinary shares (74.19 per cent), and 179,475 preference

GLOBE INVESTMENT WEST OF ENGLAND

The offer made on behalf of Globe Investment Trust to acquire West of England Trust has been accepted by the holders of 13.35m ordinary, and by

Electra Investment Trust in respect of its holding of 1.4m ordinary held by it prior to February 25, and in respect of the ordinary allotted to it upon conversion of the convertible unsecured loan stock.

Taken together these acceptances represent 93.5 per cent of the ordinary of West for which the offer was made.

The offer has been declared unconditional in all respects and will remain open for acceptance until further notice.

NORMAND SELLS SUBSIDIARY

Normand Electrical Holdings has sold its subsidiary, Greenham Marine, to Brown and Perrier (Instrumentation) for £90,000. In addition, the purchasers have taken over Greenham Marine's overdraft of £82,000.

As Greenham Marine had not achieved planned levels of profitability, it was considered that the total funds released of £172,000 could be better used elsewhere in the Normand group.

SHARE STAKES

Burmah Oil — The Kuwait Investment Office has disposed of 130,000 shares and now holds 7,155,000.

Leaderfish (Holdings) — Galerie Mobil beneficially owns 270,000 ordinary (12.44 per cent).

Y. Lovell sees further growth

THE DIRECTORS OF Y. J. Lovell (Holdings) expect the group's growth to continue during the current year.

The construction division has started 1980 with the highest ever forward order book at anticipated margins improved over last year. Although major profits growth is unlikely in this division in the near future, they are confident it will hold its own against outside pressures.

On the development side, the group plans to build and sell more houses this year, and to increase overall profitability from residential activities. However, margins may come under some pressure.

The group's property portfolio, boosted last year by the properties acquired with Farrow Group, is expected to improve further as other investments are completed.

Construction of Clare Park Clinic, the group's equity participation in which was reported last year, will be completed early this year and prospects look very encouraging, the directors say. Similar projects are being negotiated elsewhere.

The joint venture in Nigeria, in which Lovell has a 20 per cent interest, completed most of its current workload, at a substantial loss, during 1979.

The group has been unable to secure adequate further contracts, the directors say, and has concluded that unless there is some dramatic change by early 1980, there would be no purpose in continuing its involvement there.

Although two projects were completed on time and on budget in Saudi Arabia last year, no permanent presence or investment in the Middle East is envisaged.

As reported on January 25, group pre-tax profits rose 36 per cent to a record £2.82m (£1.93m) in the year to September 30, 1979, including a first-time contribution of £442,000 from Farrow Group. On a CCA basis, taxable profits were reduced to £1.92m (£1.33m).

The statement added that staff being retained by Polygram face a considerable reduction in their pension entitlements.

Group fixed assets totalled £13.61m (£9.04m) at the year-end. Current assets amounted to £37.32m (£23.45m). Current liabilities were higher at £31.03m (£18.94m), including bank overdrafts of £7.91m (£3.65m), and creditors and accrued charges of £19.19m (£9.5m).

Net liquid funds decreased by \$4.7m (£0.55m).

Meeting, Portman Hotel, W, on March 19 at noon.

Berkeley Exploration allotments

The offer for sale by Charterhouse Japhet of 3m Ordinary £1 shares in Berkeley Exploration and Production, partly paid, at 50p per share, was oversubscribed by 40 times. Dealings under rule 163 (3) start on Thursday.

When the list closed last Friday, there were 22,668 applications for 123,92m shares.

Applications from KCA shareholders were received for 42m Berkeley shares of the 1.95m shares on offer.

Allotment will be made in full to all applicants for 100 Berkeley shares. Allotments of 200 shares will be made to applicants of more than 100 shares who have up to 2,000 KCA ordinary shares.

Thereafter, applicants will get 75 per cent, restricted to one-eighth of the number of KCA ordinary shares held.

For applications from the public, there will be a weighted ballot for 100 up to 1,000 shares, a weighted ballot for 200 shares from 1,000 to 4,500 shares and a weighted ballot for 300 from 4,500 to 9,500 shares.

Applicants for between 10,000 to 25,000 shares will receive 300 shares, while those applying for between 25,000 and 40,000 shares will get 500 shares and between 40,000 to 70,000 shares, 800 shares. Above 70,000 shares, applicants will get about 1.5 per cent.

Ransomes Sims up 11% after higher second half

HIGHER second-half profits following the slight fall in the first six months left the taxable surplus of Ransomes Sims and Jeffries 11 per cent ahead from £2.57m to £2.86m in the year to December 29, 1979.

Sales of the machinery manufacturer improved 22 per cent from £24.41m to £29.19m.

Mr. G. W. Bone, chairman, says the group currently has a strong order book in important sectors and the directors are confident that a further worthwhile improvement in profits for 1980 is achievable.

However, he warns that industrial unrest in the steel industry and elsewhere may put at risk the achievement of programmes and the livelihood of some employees.

At half-way, the pre-tax surplus totalled £1.21m (£1.27m). The directors said that industrial action had seriously eroded their expectation for improved profits in 1979.

The chairman now says the full-year results have been affected by the inclusion of 15 months' losses of Dorman Sprayers, heavier interest charges, and the engineering strikes.

The net total dividend is raised from 9.87p to 11.14p, with a final of 8p. After tax of £509,000 (£422,000), stated earnings per £1 share are up from 39.1p to 42.2p.

The year showed a substantial increase in sales of grass machinery—45 per cent higher at £19.86m—which now accounts for almost half of group turnover.

The industrial unrest caused difficulties, but improved productivity, coupled with a relatively low demand for some other products, enabled total production of grass machinery to be substantially above that for 1978.

Programmes for 1980 have been set which continue this trend, the chairman adds.

The group's farm machinery division experienced poor trading conditions and, despite relatively satisfactory demand for ploughs and tillage equipment in the UK,

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are in arrears or not, or as to the date of the next meeting.

TODAY
Interim: F. Mann (Leyton), Peter Brooker, F. W. W. Raine, Raine Engineering.
Final: T. F. and J. H. Braine, Commercial Union Assurance, English and Scottish Investors, Hongkong and Shanghai Banking, Ltd., Investing in Success, Equities, London and Lombard Investment Trust, Matras, Mount Charley Investments, National Westminster Bank, Nott, Prudential Corporation, Vantage.

FUTURE DATES
Interim: Green (R.J.) Properties, Mar. 17
Final: Bladen and Noakes, Mar. 3
Cadbury Schweppes, Mar. 13
Davies and Metcalfe, Mar. 6
Investment Trust of Guernsey, Mar. 5
Phicom, Mar. 5
Provident Financial, Mar. 4
Tate, Feb. 28

Although there was an increase during the year in the value of parent company stocks in monetary terms, there was a small reduction in volume, the chairman says.

However, the group was aiming for a greater reduction than that achieved, but this was not realised because there was still some imbalance of stocks following the engineers' strike.

This will be corrected in 1980, and the position will be further improved as a result of positive action already taken to reduce the manufacturing lead time.

A small reduction in parent company borrowing has been achieved as a result of reduced capital expenditure, stricter credit control and containment of costs.

comment

With the farm machinery market still in the doldrums and the Dorman acquisition proving more troublesome than expected, Ransomes Sims & Jeffries must be relieved that the grass machinery division is pulling its weight so effectively. Sales here now account for almost half the total and capacity has been increased to meet heavy demand. The 26 per cent improvement in second-half profits was achieved despite the engineering dispute, so there are grounds for believing that the steel strike will not impair first-half results this year too seriously. Furthermore, losses at Dorman are slowly being contained and the Underhaug agreement seems to make industrial sense. The shares leaped 24p to 137p yesterday, but even at this level they hardly seem expensive. The p/e on the 18 per cent tax charge is only 3.7 while the yield is 12.7 per cent.

The poor condition of the agricultural machinery is a clear depressant but Ransomes is not heavily involved in developing countries (where the real problems are) and the farm division is in any case of diminishing importance to the group as a whole.

Decca holders approve plan to sell parts of record division

Decca shareholders yesterday approved the sale of certain assets and activities of its record division to Polygram. At an extraordinary general meeting, a show of hands showed 18 shareholders in favour and none against.

A proxy vote registered 2,589,363 shareholdings in favour, and 3,315 against. Invalid proxies represented 265,577 shares.

At another EGM shareholders approved the sale of certain investments relating to the record division—namely, its 50

per cent shareholding in Decca Holding Ltd., Glarus (Switzerland), to Egidio Horings AG (Switzerland) and of its 80 per cent shareholding in Decca Holding Ltd., Vaduz (Liechtenstein), to Mrs. Sara Dimenstein—was approved after a poll.

On a poll requested by the Take-over Panel under the company's articles of association, 3,314,251 votes were cast in favour and 4,776 against.

As shareholders arrived at Winchester House, they were met by representatives of the Decca studio staff who were

protesting at pension and redundancy arrangements being offered by the Decca company. A statement from the protesters said that "over half the studio staff are being made redundant and, to quote one example out of many, a member with 29 years' unbroken service is being offered an ex-gratia payment of £2,155 which represents about one-third of his annual salary."

The statement added that staff being retained by Polygram face a considerable reduction in their pension entitlements.

AF warns of contraction in trawler subsidiary activities

FURTHER contraction in the activities of British United Trawlers may be unavoidable without external financing assistance, Mr. H. K. Fitzgerald, the new chairman of Associated Fisheries, warns in his annual statement.

He says that the policy for BUT must be one of containment while the outlook for it remains uncertain.

The group's immediate objective, he adds, is to preserve its liquidity and reduce short-term bank borrowings.

These requirements and the potential financial implications of the situation affecting BUT will determine the extent of the group's expansion for the next two or three years, he adds.

Mr. Fitzgerald reports that the group's shore-based businesses are currently being confronted with inflated costs,

uncertainty of future supplies and increasingly competitive trading conditions in a recessionary environment.

The current year is going reasonably well but he says it would be premature to forecast the final outcome. As regards dividends, the chairman says that the board's approach is conservative but, subject to a continuing upward trend in profits, it is hoped to establish a steady increase in distribution.

As reported on February 6, the group ended the year to September 30, 1979, with pre-tax profits of £2.19m, against a loss of £2.37m previously. The dividend total is 1p net (nil).

A geographical breakdown of trading profits shows UK and Continental Europe £2.46m (£0.48m loss), North America £23,000 (£23,000 loss), Australia £40,000 loss (£1.46m loss) and others £36,000 loss (£0.12m loss).

On a CCA basis profits before tax would have been £1.23m, against £2.19m under the historical cost convention.

A statement of source and application of funds shows an increase in working capital of £83,000, compared with a decrease of £4.86m the previous year.

SIMONS' LISTING CANCELLED

Simons and Co., the fruit and vegetable trader, has had its listing cancelled.

Over 66.96 per cent has been acquired by Francis Nicholls, a subsidiary of Geest Holdings. Applications to make specific bargains under Rule 163 (2) may be submitted.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any Convertible Unsecured Loan Stock.

Globe Investment Trust Limited

(Incorporated in England under the Companies Act 1962)

Issue of up to £18,053,848 nominal of 11½ per cent. Convertible Unsecured Loan Stock 1990/1995

The Council of The Stock Exchange has admitted the above-mentioned Convertible Unsecured Loan Stock, arising from the offer for The West of England Trust Limited, to the Official List. Particulars of the rights attached to the Convertible Unsecured Loan Stock are available in the Extra Statistical Service and copies of the statistical card may be obtained during usual business hours on any weekday (Saturdays excepted) up to and including 11th March, 1980 from:

Baring Brothers & Co., Limited
88 Leadenhall Street
London EC3A 3DT
26th February, 1980

Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

The Great Northern Investment Trust Limited

Results for Year ended 30th November 1979.

Net revenue rose by 33% to £3.1m (including £0.3m in respect of special non recurring dividends received). Ordinary dividends paid and proposed round to 5-4p (1978: 4-5p) per stock. In addition a special dividend of 0-6p unit is proposed.

The value of net assets at 30th November 1979 was £67.3m of which 40 resources amounted to £2.3m. Assets represented 80% of the total.

North America and Australia were the principal areas in which overseas investments were held.

The company continues actively to seek investment in specialist companies at home and abroad with specific market or technology opportunities for growth. Copies of the accounts are available from The Great Northern Investment Trust Limited, 90 Mitchell Street, Glasgow G1 3NQ.



Alcan Aluminium Limited

Montreal, Canada

Highlights of 1979

Operations for the year (U.S. \$ millions)	1979	1978
Total shipments of aluminium products ('000 tonnes)	1,532	1,597
Shipments of fabricated products ('000 tonnes)	1,036	982
Total sales and operating revenues	4,381	3,711
Net income	427	297
Capital expenditures	494	321
Number of employees, at year end (thousands)	65	63

Financial, at year end (U.S. \$ millions)	1979	1978
Working capital	1,275	1,113
Net fixed assets and investments	2,168	1,865
Long-term debt	759	691
Common shareholders' equity	2,032	1,689
Return on average shareholders' equity (%)	23.0	18.9

Shareholdings, at year end	1979	1978
Number of common shares outstanding (thousands)	40,447	40,447
Per common share (U.S. \$)	1979	1978
Net income for the year (including extraordinary gain)	10.57	7.34
Dividends for the year	2.10	1.55

Net Income, by Geographic Areas (in millions of U.S. dollars) (i)

	Canada and Caribbean	United States	Latin America	Europe and Africa	Asia and South Pacific	Eliminations	Alcan Consol.
1979	214	48	40	107(1)	46	(28)	427
1978	151	38	41	62	37	(32)	297
1977	94	15	48	61	24	(37)	205
1976	(36)	21	41	29	2	(6)	51

(i) Before minority interests, which with inter-area profits, are adjusted under "eliminations".
(ii) Includes extraordinary gain of \$21.5 million and credit of \$23.2 million for reversal of U.K. deferred tax reserves.

Extracts from the 1979 Annual Report

In spite of the problems and distortions of an inflationary and rather disordered world, the international aluminium business made overall gains in 1979. Within the industry, Alcan had a successful year, and, on the basis of historical accounting, recorded a net profit of U.S. \$427.5 million and a return on average shareholders' equity of 23%.

Consolidated sales and operating revenues surpassed the \$4 billion level for the first time and, at \$4.381 billion, were 18% higher than in 1978, reflecting higher prices for primary aluminium and fabricated products in world markets.

Profitability in the past two years, and particularly in 1979, has risen to levels where the Company can provide capital for some new expansion as well as continuing with necessary and increasing investments in the upgrading of existing facilities. In 1979 a total of \$494 million, or 116% of Alcan's record net profit for the year, was re-invested in fixed capital and in partially-owned companies.

Following a solid increase of 7% in primary aluminium consumption in the non-communist world in 1978, we estimate further growth of over 4% in 1979, limited by tight supplies of metal, particularly in the second half of the year.

As we enter 1980, the total world demand for primary aluminium continues strong and the calls of the market in Europe, Asia and Latin America in recent weeks could not be adequately answered. Alcan's smelters are producing at virtually full capacity except in India where low rainfall is restricting all aluminium output. Producers in other countries have also reported some power problems. A continued close balance between supply and demand seems indicated for much of 1980, but if a recessionary downturn in total demand occurs as the year progresses, most producers should be in a position to react by replenishing their depleted inventories.

Despite the losses in Canadian smelter production in 1979 through strikes, Alcan's

consolidated sales tonnage of 1,532,100 tonnes was only 4% lower than in 1978. This was made possible by a reduction of 108,000 tonnes in inventories (in both the ingot and fabricated companies), by the larger production outside Canada and by some increase in metal purchases by fabricating companies.

As in 1978, the contribution to Alcan's net income of Aluminium Company of Canada, Ltd. and its subsidiaries, at \$225.5 million, exceeded that of the remainder of the group. The improvement in Aluminium Company of Canada's earnings, 27% greater than in 1978, arose from higher income from Canadian and United States fabrication and an improvement in Jamaica, but earnings from the Canadian smelting facilities were lower than in 1978, due to strikes. Elsewhere, excluding the extraordinary gain on the sale of an investment, the balance of the Group increased its earnings by 52% to \$176.6 million, in spite of lower earnings in Brazil, the UK and India.

The Company is expanding its smelter capacity in Canada, Brazil and Australia where additions to existing facilities are economically attractive and power supplies from existing sources are assured.

The total additions to consolidated smelting capacity in 1979 were 81,000 tonnes in Germany, Brazil and Australia. Planned additions in 1980 in Canada and Australia will total 79,500 tonnes. In 1981 and 1982 in Canada and Brazil, a total of 144,000 tonnes will be added. This is an annual average growth rate of 5.5% over four years, slightly ahead of the expected average annual growth in demand of 4 to 5%.

Copies of the full Report and Accounts available shortly from Alcan Aluminium (UK) Limited, c/o Publications Dept., Alcan House, South Bar, Banbury, Oxon OX16 9EL, England.

NORTH AMERICAN NEWS

Quarterly profit and sales take a tumble at Dayco

BY OUR FINANCIAL STAFF

A DOWNTURN in sales and earnings in the first quarter of the year is reported by Dayco Corporation, the industrial components and transport products group. Earnings tumbled sharply from \$4.1m or 47 cents a share (diluted) to \$3m or 36 cents, while the fall in sales was more modest—from \$173.4m to \$170.6m.

The disappointing first quarter is a poor start to a year for which an improvement on the previous year's earnings of \$2.44m (fully diluted) has been predicted. Last year's earnings were themselves disappointingly below forecast after profits had

turned down in the final quarter. But the setback in profits has sharpened in the first quarter of this year—and the downturn in sales is a new development.

Dayco, although highly diversified, is strongly orientated towards the motor industry, a major customer for the V-belts of which Dayco is the world's largest manufacturer. Some 29 per cent of 1978 earnings came from transport products, with a further 41 per cent from industrial components, where the V-belt is also a major product.

A slowdown in motor

industry sales has been fore-shadowed in the boardroom, but it is hoped that, for the full year, the diversified replacement market will more than compensate.

Dayco also hopes to benefit this year from increased deliveries of follow-up sales to established customers, on which profit margins are wider than average.

The outcome for the initial quarter, coming as it does only two months after the expression of relative optimism for 1980, reflects the severe fall in sales announced by the major vehicle companies.

U.S. Shoe earnings ahead of target

By Our Financial Staff

DESPITE A setback in earnings in the footwear division, which traditionally accounts for one half of group profits, U.S. Shoe is ahead of earnings forecasts at the end of the first six months of the current fiscal year. Total net rose by 17.6 per cent to \$14m in the second quarter, or from \$1.69 a share to \$1.99. At \$258.3m, sales gained 14.8 per cent.

This brings net earnings for the first half to \$21.9m, or \$3.12 a share against \$2.89. For the full year, earnings of \$4.40 have been predicted. First half sales are 14.9 per cent up on \$149.8m.

The board said retail sales in both clothing and footwear appear to be firm for the rest of fiscal 1980 in most divisions, and spring retailers in most women's wholesale divisions are running at very high rates.

It also said that advance footwear orders for Fall 1980 are encouraging.

Sales in the footwear divisions rose 13 per cent for the quarter but earnings fell 16 per cent. U.S. Shoe said its women's specialty retailing performance for the quarter was especially good and its Casual Corner apparel stores reported a store for store increase in sales of 8 per cent for the period.

However, the company's J. Riggings Men's apparel stores continued to trail below year-ago levels, although they improved over the last quarter. Store for store sales dropped 11 per cent in the second quarter from a year ago.

U.S. Shoe said it arranged to sell a \$15m issue of preferred shares in order to build its capital base for future growth. The shares will have a 20 year final maturity with a sinking fund and a 10.30 per cent yearly dividend rate.

INTERNATIONAL CAPITAL MARKETS

Foreign DM bonds show heavy falls

BY FRANCIS GHILES

FOREIGN Deutsche-Mark bonds are still on the slide. Record high short-term dollar interest rates coupled with the strong performance of the U.S. currency against the D-Mark are drawing funds into the dollar. The net result is a more than four-point drop in the price of foreign Deutsche-Mark bonds in just over two weeks.

Since February 8, average yield to redemption on D-Mark bonds has risen from 8.36 per cent to 8.90 per cent, and are expected to rise further during the next few days.

Three- and six-month dollar interest rates now stand at 16½, about 7½ percentage points over comparable D-Mark rates. This wide gap will not be significantly narrowed even if the Bundesbank increases the German discount rate by ½ point to 8½ per cent on Thursday. This makes it difficult for leading German banks to arrange D-Mark issues for foreign borrowers, let alone sell the paper satisfactorily.

The German Capital Markets Sub-Committee yesterday agreed to the smallest calendar of new foreign D-Mark issues in three months—DM\$580m.

The March calendar was opened yesterday when Westdeutsche Landesbank launched a DM 50m five-year private

placement for the Dutch mortgage bank, Westland-Utrecht. The bonds, which can be redeemed at the end of three years at the note holders' option, carry an indicated coupon of 8½ per cent and a price of par. It will yield 8.75 per cent, the highest return on a new D-Mark foreign bond issue in three years.

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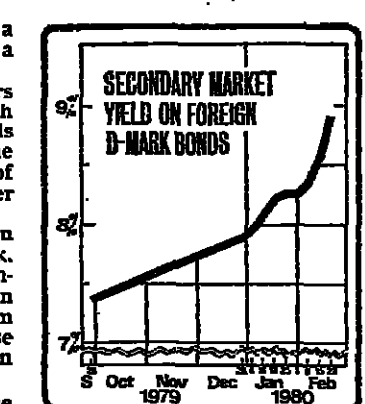
bank is expected to launch a DM 100m public issue for a non-European address.

Two supranational borrowers might tap the market through Deutsche Bank but that depends on two factors: the state of the market and the willingness of these borrowers to pay higher than expected coupons.

Because of the deterioration in the market since last week, Commerzbank was forced to increase by ½ of a point the coupon it is offering on the DM100m seven-year issue for Nederlandse Gasunie. The issue has been priced at par.

Until last week the Deutsche Mark issues which showed the biggest falls in the secondary market were the older ones which carry coupons now well below what has become the norm, but yesterday recent issues were badly hit too. The 8½ per cent bond to 1995 for Banque Française du Commerce Extérieur fell by a full point to 92½ per cent, at which level it yielded 9.06 per cent, while the 7½ per cent bond to 1985, which was launched for Norway, fell 1½ points to 95 to yield 8.78 per cent. One recent issue which has held up better than most is the 8½ per cent bond to 1990 for Australia, which was quoted yesterday at 98 in the middle.

Yields on some of the more



"exotic" names, such as the Brazilian issues, have now overtaken the 10 per cent yield mark. The German banks are faced with a growing challenge in placing foreign D-Mark bonds. Foreign investors have shown a growing lack of interest as the rewards of placing funds short term in the dollar and sterling markets have grown while domestic German investors can often get higher yielding paper on domestic D-Mark issues.

Prices of Swiss franc-denominated bonds fell by about ½ of a point yesterday. On the new issue front, Credit Suisse is arranging a ten-year SWFR 100m convertible for Sanyo Electric while Banque Gutzwiler, together with Nordfinanz and Kreditbank (Suisse), has completed a SWFR 100m straight bond for Norges Kommunalbank. The latter has an unconditional state guaranty and, with a maturity of ten years, was priced at 99 to yield 5.88 per cent.

Conditions in the dollar bond sector were much quieter yesterday than at any time during the past few days. Straight dollar bond prices picked up by ½ point in the morning and fell back later on the day for a net gain of about ¼ of a point on the day.

The Special Drawings Rights 15m five-year bond for Svenska Handelsbanken was priced yesterday at par after the indicated coupon was increased by ½ per cent to 11 per cent because of a lack of demand.

Venezuela drops \$500m loan

BY PETER MONTAGNON

VENEZUELA has decided to drop plans to float a \$500m, ten-year Eurocredit through Bank of America, after revision of its borrowing requirements in the light of the latest oil price increases.

The loan was first mooted last autumn when an indicated spread of ½ point over U.S. prime rate was set and a management group of some 20 banks formed.

But Venezuela never gave the

go-ahead for syndication of the credit and now Bank of America officials say the Ministry of Finance has told them verbally that it does not intend to proceed.

Banking sources added that the decision also makes it unlikely that a rumoured transaction of some \$250m for the state-owned steel company Sidor will in fact come to the market.

Unlike the \$500m borrowing this loan would not require a state guarantee, but the bankers said Venezuela's policy now seems to be geared towards avoiding medium term financing.

This is partly dictated by politics. Medium term financing requires parliamentary approval and the present government does not have a majority in the Venezuelan congress.

Instead, it is thought likely that the country will concentrate on raising short term funds in the international capital markets for which congressional approval is not needed.

Thus the Institute Nacional de la Vivienda last week mandated Orion Bank to manage a \$180m, one-year credit facility with a spread of ½ point over Labor.

Under his direction Arthur

Andersen's first major

accounting firm to publish its

accounts, he opened an office in

Moscow and was behind the

move to establish a public re-

view board to establish the firm's

international quality control

standards.

The issue which triggered Mr.

Kapnick's resignation was the

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A FINANCIAL TIMES SURVEY

WORLD PULP AND PAPER

APRIL 23, 1980

The Financial Times proposes to publish a Survey on World Paper and Pulp to precede the Financial Times World Pulp and Paper Conference at Finlandia Hall, Helsinki (April 28-29). The provisional editorial synopsis is set out below.

INTRODUCTION After decades of buoyant growth the world paper industry was in recession for much of the 1970s. At last the industry is recovering but will the 1980s see a resumption of the earlier heady growth rates? Sharply rising energy costs, heavy investment in new capacity in North America plus the competition from alternative electronic technologies will lead to some fundamental changes in the structure of the world paper industry over the next decade.

A review of the major producers and the long term strategies of the main companies involved in:

- North America
- Scandinavia and Finland
- Common Market
- The Developing Countries

WOODPULP Nearly 90 per cent of the world production is used in integrated mills and the proportion is growing; prospects for market pulp and prices.

NEWSPRINT Demand for newsprint is a good barometer of the world economy; the prospects for supply and demand in North America and Europe which accounts for two-thirds of world consumption.

NEW TECHNOLOGY An assessment of the leading machinery manufacturers and their products:

- a. Pulp and Paper
- b. Printing and Packaging

THE COMPETITORS For years the world paper industry has been able to live with competition from competing materials. Sharply higher energy costs are hitting the growth of plastic-based packaging but longer-term, electronic systems threaten paper's traditional dominance of permanent information storage systems.

THE ENVIRONMENT An assessment of the environmental lobbies and the commercial implications.

THE WORLD'S FORESTS The UN Food and Agriculture Organisation has forecast that world per capita consumption of paper will increase by 29 per cent between 1975 and 1990. Can the world's forests support this growth? New techniques in silviculture.

MAJOR PROJECTS Despite the slowdown in the growth of world trade leading producers continue to invest heavily in new projects.

A review of the major technological and commercial developments in the main sectors of the world industry

- a. Tissues
- b. Printings and writings
- c. Packaging papers
- d. Corrugated case materials
- e. Board
- f. Wastepaper

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EUROPE'S BUSINESS NEWSPAPER

The content, size and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

VDO and Matra in joint venture

BY KEVIN DONE IN FRANKFURT

VDO ADOLF SCHINDLING, the West German automotive and marine instrument manufacturer, and Matra, the French defence, motors and space company, have joined forces to establish a new watch and clock manufacturing group.

It will have its headquarters in Paris and consist of 10 companies, five in France, three in West Germany, and two in Switzerland.

As a joint enterprise the 10 companies would have had combined sales last year of FFf. 750m (\$182m), placing it sixth in the world watch industry. The new company has a total workforce of 3,500 people and is aiming to boost sales to more than FFf. 1bn. over the next four years.

For VDO, the largest car instrument manufacturer in Europe, the joint venture represents a further move beyond its traditional instrument making activities.

VDO, a family-owned group with sales last year of DM 1.4bn (\$795m), is facing a consider-

able challenge from micro-electronics and is seeking to diversify.

For the French companies, the new venture is the culmination of the protracted reorganisation of the French watch and clock industry, aimed at forming a group that would be large enough to take on the big Japanese, Swiss and U.S. groups.

The VDO/Matra combine will rank sixth behind Seiko and Citizen of Japan, ASU and SSIH of Switzerland and Timex of the U.S. It includes brand names such as Jaeger-Le Coultre, TWC, Garant and Jaz.

The companies in the new concern are Bayard, Framelco, Jaeger Horlogerie, Jaz and Yema in France, Garant, Maueche-Uhren and VDO Quarz Zeit in West Germany and Saphire and International Watch in Switzerland.

VDO and Matra are each taking a one-third shareholding in the new group, the remainder being held by two international banks, one West German, one French. Negotiations with the

banks have not yet been completed.

VDO's interest in France stems chiefly from its rescue of Jaeger, the French vehicle instrumentation group in 1972-73, in which it originally took a 41 per cent interest. It stepped in to take a controlling interest in one of its leading European competitors when it became clear that Jaeger was unlikely to receive help either from the state, the French banks or the motor industry.

In the past six years Jaeger has been successfully turned round from losses of FFf. 27m to a profit of a similar size.

VDO found its way blocked, however, when it sought to reorganise Jaeger's watch-making activities because it ran up against the French Government's own plans for a fundamental restructuring of the French watch industry.

Matra's involvement as a willing partner overcame French Government objections and has set the stage for a series of further co-operative joint ventures which could help it achieve its aim of further diversification.

Last year it sold part of its interest in Jaeger to Matra. The French and West German groups then formed a joint holding company, Plafico, which holds a controlling 51 per cent interest in Jaeger.

Jaeger, the leading French car instrument manufacturer, has in turn passed its watch-making interests to the new watch and clock group.

Apart from the need to reorganise Jaeger, VDO was also drawn towards the clock and watch industry as a result of its own development of automotive quartz clocks. It claims a world lead in this field, with daily output of more than 20,000 quartz vehicle clocks.

The world clock and watch market is already highly competitive, but VDO and Matra are confident of establishing a presence through the application of advanced technologies developed for the aerospace, motor and space industries.

Earnings advance at Lindt and Spruengli

By John Wicks in Zurich

GROUP TURNOVER of Chocoladefabriken Lindt and Spruengli, of Kitchberg, Switzerland, rose by 11.3 per cent last year to Sw Fr 492m (\$301.3m) including licence income. The Swiss chocolate concern had recently estimated a growth rate of "a good 10 per cent."

The parent company, whose sales were up by 4.9 per cent to Sw Fr 147.9m, recorded a rise in its net profits from Sw Fr 2.9m to Sw Fr 3.16m in 1979.

The Board has recommended the inclusion of the previous year's 2 per cent jubilee bonus in the regular dividend, meaning that this will remain at the 1978 total of Sw Fr 100 per bearer and registered share.

An unchanged sum of Sw Fr 200,000 will be transferred to the reserve fund and Sw Fr 700,000 to special reserves.

Geneva bank plans increase in capital

By Our Zurich Correspondent

THE GENEVA-BASED Compagnie de Banque et d'Investissements (CBI), a bank specialising in stock exchange, securities and portfolio management business, has announced a rise in net profits from SwFr 3.6m to SwFr 5.68m (\$3.51m) for 1979. The Board proposes an unchanged dividend of 8 per cent, plus a 2 per cent bonus to mark the tenth anniversary.

At the same time, CBI plans to increase its capital from SwFr 8m to SwFr 14m (\$8.66m) and to transfer SwFr 9.3m from internal to open reserves.

The bank, whose balance-sheet total rose sharply last year from SwFr 152m to SwFr 217m (\$134.36m), would then have a capital-plus-reserves figure exceeding SwFr 40m.

Siemens-Albis turnover up

By Our Zurich Correspondent

TURNOVER of the Swiss electrical engineering and telecommunications company, Siemens-Albis AG of Zurich, showed a slight increase from SwFr 515m to SwFr 519.5m (\$314.9m) in the financial year ended September 30, 1979.

From net profits up from SwFr 9.2m to SwFr 9.3m (\$5.63m) for the year, the company is to distribute an unchanged 12 per cent dividend.

The capital is held as to 78 per cent by the Zurich-based Siemens group holding company Siemens-Beteiligungs AG, and the remaining 22 per cent by the Swiss concern Elektrowatt, also of Zurich.

Schroder Bank Zurich

NET PROFITS of J. Henry Schroder Bank AG, Zurich, rose slightly to SwFr 2.36m (\$1.44m) last year, compared with a 1978 figure of SwFr 2.31m, writes John Wicks in Zurich. The board recommends payment of an increased dividend of SwFr 1.1m, up from SwFr 1m.

Hermes Precisa payout The Swiss office equipment concern Hermes Precisa SA, of Yverdon, intends to distribute its first dividend since 1974, writes John Wicks in Zurich. According to a letter to shareholders, consolidated group sales last year were higher by some 4 per cent than the 1978 figure of SwFr 255m (\$155.5m).

Union Bank of Finland reports record deposits

By Lance Keyworth in Helsinki

KANSALLIS-OSAKE-PANKKI, one of the two biggest Finnish commercial banks, had "quite a satisfactory" year in fiscal 1979. The preliminary results show that net profit after depreciation and transfers to the credit loss reserve was FM 49m (\$13m), an increase of 9 per cent on 1978.

KOP proposes to raise its dividend to 12 per cent, compared with 11 per cent in 1978, on a share capital of FM 40m. The balance sheet total on December 31, 1979, was FM 18.92bn (\$5.1bn), up 16 per cent on the previous year.

Deposits increased by 18 per cent to FM 11.6bn, while the credit portfolio was enlarged by 14 per cent to FM 12.26bn. The credit loss reserve was increased by 25 per cent to FM 378m. KOP is raising its share capital with a rights issue this year to FM 621m.

The other big commercial bank, Union Bank of Finland, reports that 1979 was the best year in its history for deposit business, with deposits growing by 16.7 per cent to FM 10.5bn. Lending increased by 15.7 per cent to FM 13.7bn. The balance sheet total grew by 25 per cent to FM 20.1bn. Net profit for fiscal 1979 was FM 76m, of which Union Bank proposes to pay out FM 75m in dividends, 14 per cent on Ordinary and 11 per cent on Preference shares.

Competition hits KHD orders

BY ROGER BOYES IN BONN

KLOECKNER HUMBOLDT DEUTZ (KHD) the West German engineering group, has reported a sharp increase in both domestic and foreign sales for last year, but the order book has been hit by tough international competition.

The Cologne-based company, which produces diesel engines, agricultural equipment, and process plant, said yesterday that foreign sales had increased by 9 per cent to DM 1.8m (\$1.05bn), while sales in Germany rose by 4 per cent to DM 1.46bn.

The bulk of the increase came from higher tractor sales, and strong demand for fast-running, air-cooled engines.

The explanation of the drop in

overseas orders—down 19 per cent to DM 1.66bn—seems to lie in a blend of commercial and political factors. In the first place, the Japanese, aided by the weakness of the yen against the Deutsche-mark, captured much ground, especially in the Middle East. To this has to be added the effect of the Iran crisis and the increasingly long intervals between the signing of orders and their completion.

The fall in foreign orders has naturally led to a decrease in orders in hand—down by 12 per cent to DM 1.78bn. Domestic orders, meanwhile, edged up last year by 2 per cent to DM 1.47bn. Despite the vulnerabilities of the process plant division—the

division mostly involved in the drop in foreign orders—KHD sees strong prospects in overseas business, especially in the case of the diesel engine division.

Many of KHD's moves over the past year have been geared to streamlined production and sales in the U.S. and other markets.

Thus KHD's disposal of its 20 per cent stake in Iveco, the holding company for Magirus Deutz and Fiat Trucks, has enabled it to become an independent supplier of diesel engines. The acquisition of an assembly plant in Richmond, Virginia from American Motor Company will also help to meet the rising demand for fast, air-cooled diesel engines.

Bendix may bid for rest of DBA

BY TERRY DODSWORTH IN PARIS

BENDIX, the U.S.-based components and braking equipment company, is thought to be behind a bid for the outstanding shares of its French subsidiary, DBA, in the throes of a takeover and branch reorganisation. Shares in DBA, 92.3 per cent owned by Bendix, were suspended on Friday on news of the planned bid. Bendix is believed to be intent on taking complete control in an effort to breathe new life into the French company's activities.

DBA has gone through a difficult period recently, losing more than FFf 50m (\$12.5m) in 1978. It changed direction

radically last year, with the sale of its 51 per cent stake in Ducller, the French vehicle electronics company, which has now come under the joint ownership of Lucas of the UK and Ferodo of France.

Since then, DBA has continued to slim down. It recently sold its rubber and plastics business, and is believed to be interested in disposing of its aeronautics components equipment manufacturing activity as well.

At the same time, Bendix itself has signed a microcircuitry technology agreement with Renault, the nationalised French

Marginal rise for Dutch merchant bank

By Our Amsterdam Correspondent

THE DUTCH merchant bank Pierson, Helderling and Pierson (PHP), managed only a slight increase in profits in 1979 following the 45 per cent rise of the year before. PHP, which is a wholly-owned subsidiary of Amsterdam-Rotterdam Bank (AMRO), ascribed this slowdown to the poor conditions facing companies, their reluctance to tap the domestic and foreign capital markets and the poor investment climate.

The bank reported consolidated net profit of Fl 18.8m (\$8.7m) last year compared with Fl 16.4m in 1978. The balance sheet total rose by 6.8 per cent to Fl 4.4bn (\$2.3bn) compared with the 12.4 per cent increase in 1978. The results of PHP, which is the second Dutch bank to report for 1979, confirm the slowdown in banking growth revealed by Amro's figures, which were released last week.

Revenue from commission and securities business was almost unchanged at Fl 69m. The improvement in income from trust business partly compensated for the poor performance of a number of stock exchanges, the low rate of new issues and the erosion of commission on money and credit activities. PHP managed two of the five new share issues in the Amsterdam bourse last year.

Revenue from lending and foreign exchange business rose by 17 per cent to Fl 75.8m due to improved interest margins and a 7.5 per cent increase in the bank's loan portfolio. Total revenues rose by 9.4 per cent to Fl 144.8m, while costs rose by 12.6 per cent to Fl 111.3m as a result of an increase in staff and modifications to the Amsterdam office.

PHP reserved Fl 10m for general risks, an increase of 21 per cent over 1978, reflecting the growth of its loan portfolio.

Bank Hofmann growth

Net profits of Bank Hofmann AG, of Zurich, rose by 16.1 per cent last year to SwFr 2.12m (\$1.3m). The board recommends the distribution of an unchanged total dividend of SwFr 1.2m, the transfer of SwFr 100,000 to statutory reserves and the transfer of SwFr 800,000 to special reserves, writes John Wicks in Zurich. The Bank's balance-sheet total rose by 7.8 per cent in 1979 to SwFr 354.24m (\$218.66m).

Douwe Egberts first-half profits up by 31 per cent

BY CHARLES BATCHELOR IN AMSTERDAM

DOUWE EGBERTS (DE), the Dutch tea, coffee and tobacco group, achieved further large rises in profits and turnover in the first half of 1979-80. It expects that full-year profits will at least equal the previous Fl 104.9m (\$54.8m), despite the pressure on margins in the second half.

Net profit rose 31 per cent in the six months to end-December to Fl 57.9m, giving an unchanged return on assets of 19 per cent. Turnover rose 28 per cent to Fl 1.28bn (\$666m), with 48 per cent of sales arising overseas compared with 38 per cent last year.

Coffee sales by volume rose 35 per cent, including a 25 per cent increase due to new consolidations.

DE maintained its share of the Dutch coffee market and strengthened its position in Belgium and France. It plans to place a small number of its bearer certificates with a limited

conversion right on the over-the-counter stock market in Amsterdam on March 27. Consolidated Foods Corporation of Chicago owns 65 per cent of DE's shares, although its voting rights are limited to 26 per cent. DE has changed its book year to run from July to June with effect from 1979/80.

● The Dutch copier group Ocevan der Grinten saw the better trend of profits growth set during the first nine months continue during the final quarter of the year to end-November 30, 1979, writes our Financial Staff. This trend was in marked contrast to the rapid expansion the group has shown over the past few years.

One group turnover increased by 4.38 per cent over the period, operating profit was 9.1 per cent higher and net profit rose by 3.3 per cent. Earnings per share came out at Fl 23.64 against 1978's Fl 23.11. Cash flow advanced by 8.6 per cent.

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Chemcut Corporation

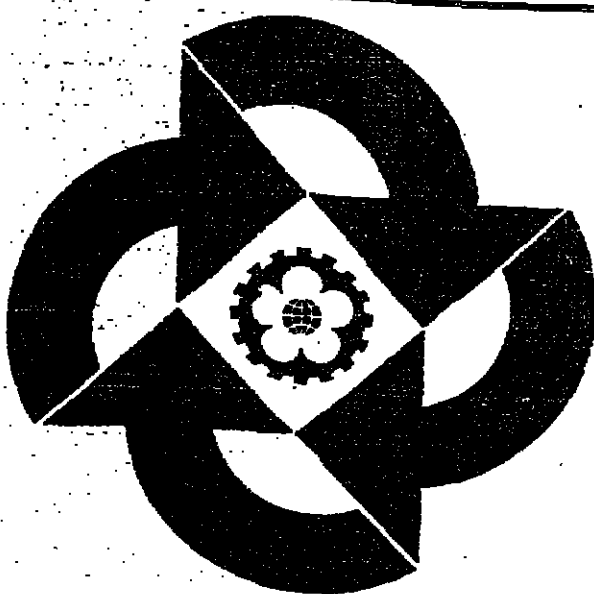
has been acquired through merger by
a wholly-owned subsidiary of

Schering AG
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We assisted in the negotiations and acted as financial advisor to
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The Bulgarian Chamber of Commerce and Industry
Sofia, 11a Stamboliski Blvd., Bulgaria
Tel: 57-36-36
Cable: Torgpalata Sofia
Telex: 22374
All Bulgarian Commercial Missions Abroad

Notice to Holders of Chrysler Overseas Capital Corporation 4% Guaranteed Convertible Sinking Fund Debentures Due 1988:

Chrysler Overseas Capital Corporation (the Company) has appointed J. Henry Schroder Bank & Trust Company, whose Corporate Trust Office is located at One State Street, New York, New York 10015, as successor Trustee, and as the Company's paying agent in New York City, and Chrysler Corporation (the Guarantor) has appointed Schroder as the Guarantor's conversion agent in New York City under the Indenture dated as of May 15, 1968 pursuant to which the above Debentures were issued and are outstanding, which appointments have been accepted by Schroder and became effective as of February 8, 1980.

CHRYSLER OVERSEAS CAPITAL CORPORATION

Dated: February 8, 1980

Notice to Holders of Chrysler Overseas Capital Corporation 5% Guaranteed Convertible Sinking Fund Debentures Due 1988:

Chrysler Overseas Capital Corporation (the Company) has appointed J. Henry Schroder Bank & Trust Company, whose Corporate Trust Office is located at One State Street, New York, New York 10015, as successor Trustee, and as the Company's paying agent in New York City, and Chrysler Corporation (the Guarantor) has appointed Schroder as the Guarantor's conversion agent in New York City under the Indenture dated as of February 1, 1968 pursuant to which the above Debentures were issued and are outstanding, which appointments have been accepted by Schroder and became effective as of February 8, 1980.

CHRYSLER OVERSEAS CAPITAL CORPORATION

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INTL. COMPANIES & FINANCE

Komatsu results boosted by strong overseas sales

BY YOKO SHIBATA IN TOKYO

KOMATSU of Japan, the world's second largest manufacturer of construction machinery, reported an impressive sales and earnings performance for the fiscal year ended December 31, 1979, thanks to brisk domestic public investments and strong overseas sales.

Operating profits gained 37.6 per cent to ¥46,789bn, and net profits were ¥20,249bn (\$82m), up 27.4 per cent, on sales of ¥455,779bn (\$1.8bn), up 13.2 per cent over a year ago. Per share profits improved to ¥27.55 from

¥21.95. Domestic sales expanded by 13.2 per cent to account for 60 per cent of the total, reflecting strong domestic demands for construction machinery aided by active public investments. Thanks to favourable exports of construction machinery and industrial machinery, mainly to the Middle East and South East Asia, exports improved by 15 per cent to account for 40 per cent of the total turnover. Cost reduction efforts and improvements in export profit-

ability caused by the yen's depreciation accounted for the improvement in earnings. For the current fiscal year ending next December, Komatsu sets a bullish target for both sales and earnings on the strength of vigorous overseas demand for construction machinery. Operating profits are expected to reach a record level of ¥53bn, up 13.3 per cent. Net profits are targeted at ¥24bn, up 18.6 per cent, on sales of ¥500bn, up 9.5 per cent over a year earlier.

Sharp rise for Asahi Glass

BY OUR TOKYO CORRESPONDENT

ASAHI GLASS, Japan's leading manufacturer of glass and chemicals, has reported strong earnings for the year in December. Operating profits went up by 46.3 per cent on the year to ¥33,319bn (\$136m). Net profits were ¥17,329bn, up 36.1 per cent, on sales up 30.9 per cent to ¥382,979bn (\$1.6bn). Profits per share improved to ¥20.11, from ¥13.07.

The upsurge in earnings was attributed partly to the higher volume of sales and partly to the marking-up of selling prices, backed by strong demand

for glass from the motor and construction industries. In particular, sales of float plate glass with a relatively high added value, fared well, rising 31 per cent. Sales of TV Braun tubes were up 17 per cent. Exports of plant and technology accounted for ¥6.1bn out of total operating profits. The company sold ion exchange membrane technology to ICI of the UK. It also exported a colour TV Braun tube plant to China. During the past two years,

the company has taken steps to improve its financial standing, reducing its debt burden by ¥20bn in 1978 and ¥20bn in fiscal 1979. As a result, the owned capital ratio has improved to 11.3 per cent from 9.3 per cent a year earlier. For the current year, the company foresees difficulties in raising selling prices to cover higher costs. Operating profits are expected to be ¥34bn, up 2.1 per cent, and net profits ¥17.5bn, up 1.7 per cent, on sales increasing by 9.4 per cent to ¥430bn.

Improved demand leads Union Steel recovery

BY JIM JONES IN JOHANNESBURG

UNION STEEL, the South African manufacturer of special and mild steels, has benefited from strongly improved demand and the completion of a five-year expansion project. In the year to December 31, 1979, Union increased its turnover by 47.4 per cent to R202.8m. With substantially stronger domestic demand, for special steels, which are not price controlled, pretax profit advanced by 114.4 per cent to R13.1m. The management is cautious on projecting future results, but as domestic capital spending picks up, Union appears set to be a major beneficiary. However, not all of the company's growth is from special steels. Price-controlled mild steels are experiencing stronger demand, resulting in better plant capa-

city utilisation and coverage of overheads. In addition, South African Railways' electrification programme has had a favourable impact on Alcor, Union's aluminium conductor manufacturing subsidiary. Union has clearly recovered from the turnover and profit downturn of 1977-78, with previously loss-making subsidiaries now contributing to profits. Even so, the management has taken a cautious view on the company's recovery. Although current capital spending is aimed at maintaining rather than increasing output, the dividend cover has been increased. From earnings per share of 31.1 cents, up from 1978's 12 cents, a dividend of 8 cents has been declared, against last time's 5.5 cents.

Marubeni buys stake in Forestwood

By James Forth in Sydney

FOR THE second time this month, a Japanese trading house has stepped into the Australian share market to protect the existing board from the threat of takeover. Marubeni Corporation yesterday revealed that it was the mystery buyer last week of a 15 per cent stake in the coal and timber group, Forestwood Australia.

The purchase appears to block the media group headed by Mr. Kerry Packer, Consolidated Press Holdings (CPH), which recently admitted that it held 19 per cent of the capital. The CPH stake disclosed after hectic trading on the share market prompted a query from the Sydney Stock Exchange.

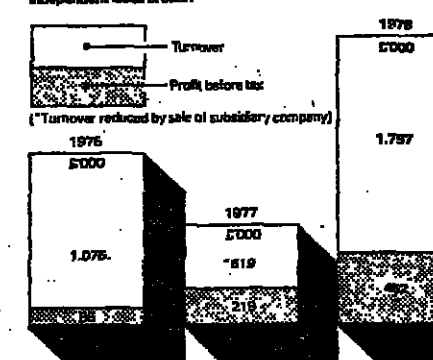
Earlier this month, another Japanese group, Mitsubishi, increased its holding in the New South Wales coal and construction group, White Industries from 8.3 per cent to 15 per cent. Mitsubishi acted to protect its investment, which included a 40 per cent stake in a proposed major new steaming coal mine, along with marketing links. CPH was also involved in the White Industries episode, having steadily built up its holding to just over 25 per cent. The White directors believed that CPH had reached some form of understanding with Mr. Alan Bond, the Western Australian businessman, which prompted them to organise a defence operation involving Mitsubishi.

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GESTETNER HOLDINGS LIMITED

THE ANNUAL GENERAL MEETING will be held at 10.30 a.m. on 27th March, 1980 at the Gestetner offices (Broad Lane entrance) London, N17, for the purposes of:-

1. Receiving and adopting the report and accounts.
2. Declaring the final dividends recommended in the directors' report.
3. Resigning Deloitte Haskins & Sells as auditors of the company until the conclusion of its next annual general meeting and authorising the directors to fix their remuneration.
4. Passing the following resolution to be proposed as an ordinary resolution, special notice having been given pursuant to sections 142 and 185(5) of the Companies Act 1948: THAT Mrs. H. Gestetner, O.B.E., a director retiring by rotation, who has attained the age of 70 years be and is hereby re-elected a director of the Company.
5. Re-electing to the board Mr. A. E. Singer who was appointed a director during the year, retiring in accordance with the articles of association and offers himself for re-election.

Holders of share warrants in bearer who wish to attend or be represented at the meeting should deposit with the company's registrars, Barclays Bank Limited, Registration Department, Radbroke Hall, Knutsford, Cheshire, WA16 9EU, not later than forty-eight hours before the meeting, the certificate of an Authorised Depository that such warrants are held to the order of the registrars.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote for him. A proxy need not be a member of the company. To be effective, such proxies must be received by the registrars not less than forty-eight hours before the time fixed for the meeting.

Directors' contracts are available for inspection at the registered office until after the meeting.
41 Pawley Road, London, N17 9ET.
By J. A. BARNETT
15th February, 1980. Secretary

NOTICE OF REDEMPTION To the Holders of

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E.N.I.

(National Hydrocarbons Authority)

7% Sinking Fund Debentures due October 1, 1981

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Sinking Fund for the Debentures of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected by lot for redemption on April 1, 1980, at the principal amount thereof \$1,666,000 principal amount of said Debentures, as follows:

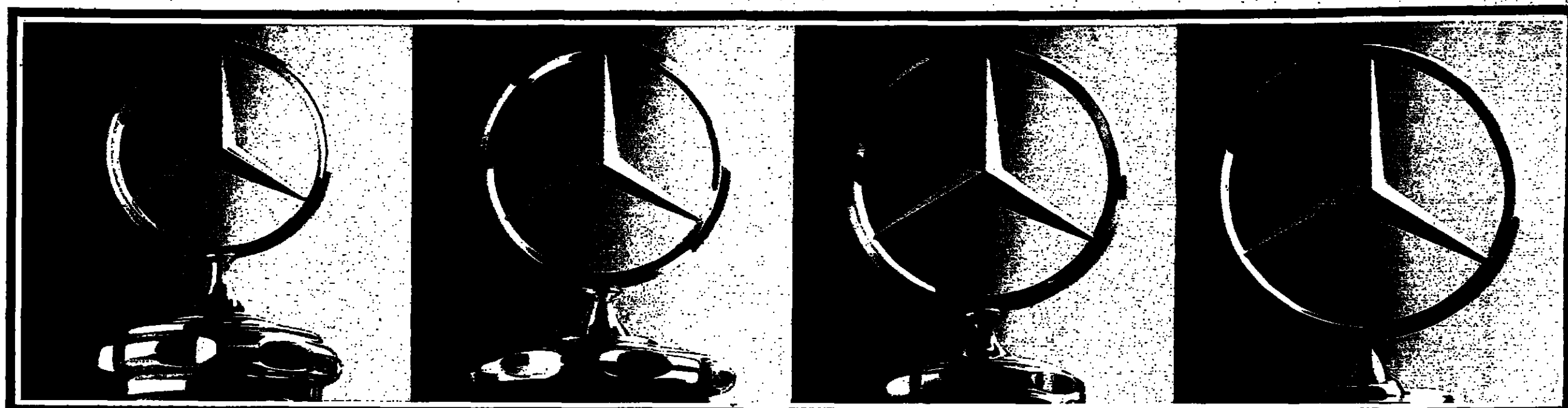
Outstanding Debentures of U.S. \$1,000 Each of Prefix "MP" Bearing Serial Numbers Ending in the Following Two Digits:

04 06 11 19 44 46 47 52 53 57 59 60 71 72 85 95 97

Also Outstanding Debentures of \$1,000 Each of Prefix "MP" Bearing the Following Serial Numbers:

429 1429 5329 6429 8029 11229 13829 16429 20029 24229 28229 32429 36229 40229 44229 48229 52429 56229 60229 64229 68229 72429 76229 80229 84229 88229 92429 96229 100229 104229 108229 112229 116229 120229 124229 128229 132229 136229 140229 144229 148229 152229 156229 160229 164229 168229 172229 176229 180229 184229 188229 192229 196229 200229 204229 208229 212229 216229 220229 224229 228229 232229 236229 240229 244229 248229 252229 256229 260229 264229 268229 272229 276229 280229 284229 288229 292229 296229 300229 304229 308229 312229 316229 320229 324229 328229 332229 336229 340229 344229 348229 352229 356229 360229 364229 368229 372229 376229 380229 384229 388229 392229 396229 400229 404229 408229 412229 416229 420229 424229 428229 432229 436229 440229 444229 448229 452229 456229 460229 464229 468229 472229 476229 480229 484229 488229 492229 496229 500229 504229 508229 512229 516229 520229 524229 528229 532229 536229 540229 544229 548229 552229 556229 560229 564229 568229 572229 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OVER THE YEARS, MERCEDES-BENZ HAVE MADE SOME CHANGES TO THEIR ORIGINAL DESIGN.



1926

Car design may have undergone some changes over the years, but the star on a Mercedes-Benz has never followed short-lived fashions.

Ever since 1926, the star has represented the ambitions of the two men who invented the car.

Gottlieb Daimler and Karl Benz who forty years before had, unknown to each other, both proved that high-speed petrol engines were capable of powering road vehicles.

The name Mercedes belonged to the daughter of the then Austro-Hungarian consul-general who entered his 23 h.p. Daimler in a race which he easily won.

Many more racing successes followed and the name Mercedes very soon became established as the name for all Daimler cars.

Scarcely a decade had passed since the invention of the motorised vehicle before Daimler and Benz wished to regularly test and compare their new vehicles in racing competitions and rallies.

Racing competitions tested the vehicles' speed

1951

and overall performance, rallies tested construction and endurance over long distances.

Their aim was to test the basic features of design in order to build a car that was suitable for every road condition and every traffic situation.

To design a car that would be equally at home in the northern hemisphere or at the equator, on made-up or unmade roads.

Since 1926, when the firms of Daimler and Benz joined together, their aims have gradually been fulfilled.

Over the last fifty-four years Mercedes-Benz have been developing increased engine performance, easier handling, practical comfort and greater safety for the driver and passengers in the event of an accident.

In 1951, for example, Mercedes-Benz were the first to design the safety cell, a rigid compartment with collapsible crumple zones at the front and rear of the car.

The combination of passive safety with active safety is, in itself, a symbol of Mercedes-Benz.

1968

Passive safety helps to avoid injuries in the event of an accident, and active safety gives the driver all possible help to avoid just that sort of situation in the first place.

In 1968, for example, we saw the development by Mercedes-Benz of the semi-trailing swing rear axle.

It was a simple system to ensure maximum road-holding, especially when you are braking and cornering, while maintaining all the benefits of independent suspension.

It was yet another example of Mercedes-Benz continuing to research and develop, and to refine the concept of the motorised vehicle.

Yet another attempt to reach technical perfection, as is every improvement made by Mercedes-Benz.

And that's exactly what the star represents on every Mercedes-Benz you see on the roads in the 1980's.

1980



Mercedes-Benz

WORLD VALUE OF THE POUND

Country and Local Unit	Value in Sterling
D. Republic of Yemen Dinar	100.00
Sol	100.00
Philippine Peso	16.53
Banking	16.53
New Zealand \$	2.27
Zloty	100.00
Portuguese Escudo	100.00
Time Escudo	100.00
U.S. \$	0.27
Qatar Ryal	8.25
Franc	1.25
Rhodesian \$	1.25
Leu	100.00

\$	5.15	Guinea Bissau.....	Peso	76.80	Poland.....
Rate	3,850	Guyana (S).....	Guyanese \$	5,8065	Portugal.....
	2,0685				

[illegible]

CURRENCY RATES CURRENCY MOVEMENTS

Republic of the Congo	Small Shilling	A113.75
Cote d'Ivoire	Rand	1.8428
Cyprus	Small Rand	1.0422
Czech Republic	Sc. A. Rand	152.45
Dominican Republic	Peso	152.34
Dominican Republic	Sc. S. L. Rupee	84.90
Dominican Republic	Sugar +	4.75
Dominican Republic	Sc. S. Dollar	1.0422
Dominican Republic	Luganese	1.8428
Dominican Republic	Sc. Krona	9.9558
Dominican Republic	Swiss Franc	3.0022
Dominican Republic	Syria L.	1.0422
Dominican Republic	New Taiwan	P182.00
Dominican Republic	Tan. Shilling	18.55
Dominican Republic	Beh.	1.0422
Dominican Republic	C.F.A. Franc	269.77
Dominican Republic	P.A. Franc	2.0698
Dominican Republic	Trinidad & Tob. S.	1.0422
Dominican Republic	Tunisia Dir.	1.0422
Dominican Republic	Turkish Lira	6.6505
Dominican Republic	U.S. Dollar	2.2777
Dominican Republic	Australian S.	2.2777
Dominican Republic	Uganda Shilling	16.75
Dominican Republic	U.S. Dollar	2.2777
Dominican Republic	Uruguay Peso	1.0422

EXCHANGE CROSS RATES

Feb. 25	Pound Sterling	U.S. Dollar	Deutschmark	Japan's Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	2.277	4.013	565.5	9.410	2.803	4.420	1855.	2.620	65.10
U.S. Dollar	0.439	1.	1.762	248.4	4.133	1.670	1.941	814.7	1.151	28.59
Deutschmark	0.349	0.567	1.	140.9	2.245	0.948	1.102	462.3	0.653	16.22
Japanese Yen 1,000	1.768	4.097	7.095	1,000.	16.64	6.724	7.816	2380.	4.633	115.11
French Franc 10	1.063	2.420	4.264	601.0	10.	4.041	4.697	1971.	2.784	69.18
Swiss Franc	0.263	0.599	1.055	148.7	2.475	1.	1.152	487.8	0.689	17.12
Dutch Guild'r	0.226	0.515	0.908	127.9	2.129	0.850	1.	419.7	0.595	14.73
Italian Lira 1,000	0.539	1.227	2.163	304.9	5.073	2.050	2.383	1,000.	1.412	35.89
Canadian Dollar	0.269	0.569	1.151	215.9	3.592	1.451	1.687	708.0	1.	24.85
Belgian Franc 100	1.326	2.498	6.164	862.7	14.45	5.841	6.790	2849.	4.025	100.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one-month 16.75-15.85 per cent; three-months 16.05-16.15 per cent; six-months 16.25-16.35 per cent; one year 16.00-16.10 per cent.											
	Feb. 25	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian \$	Japanese Yen
12-month term.....	16.54-17.74	14.44-14.94	9.00	11.14-11.14	14-14	7-7 1/2	12 1/2-12 1/2	15-15	15.54-15.54	8 1/2-8 1/2	7-8
7 days' term.....	17.04-17.04	14.94-15.04	8.00	11.14-11.14	23-23	7 1/2-7 1/2	12 1/2-12 1/2	14.54-15.04	15.54-15.54	8 1/2-8 1/2	7-8
North.....	17.54-18	15.04-15.04	12.54-12.54	11.14-11.14	23-23	8-8 1/2	12 1/2-12 1/2	14.54-15.04	15.54-15.54	8 1/2-8 1/2	7-8
Three months.....	16.54-16.54	15.04-15.04	12.54-12.54	11.14-11.14	23-23	8-8 1/2	12 1/2-12 1/2	14.54-15.04	15.54-15.54	8 1/2-8 1/2	7-8
Six months.....	16.14-15.94	15.04-15.04	14-14	11.14-11.14	23-23	8-8 1/2	12 1/2-12 1/2	14.54-15.04	15.54-15.54	8 1/2-8 1/2	7-8
One year.....	17.74-17.74	15.04-15.04	14.14-14.14	11.14-11.14	23-23	8-8 1/2	12 1/2-12 1/2	14.54-15.04	15.54-15.54	8 1/2-8 1/2	7-8

INTERNATIONAL MONEY MARKET

Paris rates strong

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979)

The Bank of France yesterday cancelled its scheduled auction of FFf 2.4bn of 12-month Treasury bills in the light of current trends in interest rates. Call money remained at a five-year peak of 12½ per cent even though funds were fairly easy to obtain, and banks were able to meet their reserve requirement quotas. The general rise in interest rates worldwide has left the authorities with little room to manoeuvre in order to protect the franc in foreign

Further notice of two-year Treasury bills.

In Frankfurt the Bundesbank stepped into the market issuing a four-day paper facility, in order to keep money tight and carrying a yield of around 8.2 per cent. Yesterday's move was taken as another indication of the authorities' desire to maintain a tight grip on the money market, with small interventions at regular intervals seemingly preferred if possible to another further rise in the discount rate. Yesterday call money rose to 8.30 per cent from 7.60 per cent on Friday.

GOLD

Late rise

Gold recovered most of today's losses in late trading, finishing at \$625-630, unchanged from its opening level, and \$2 an ounce down on Friday close. The metal was fixed at \$625 during the morning but fell to \$618.50 at the afternoon fixing. Reports that Mr. P. Volcker, U.S. Federal Reserve Board chairman, had made clear his opposition to a freeze in wages or prices created renewed

the demand for gold in the U.S.,
around noon, New York time
was quoted around \$645
In Paris the 12-kilo bar
fixed at FFf 84,000 per
at (\$632.30 per ounce) comp
with FFf 83,250 (\$626.96) in
on morning and FFf 84,000
ul (\$638.07) on Friday afternoon
ve In Frankfurt the 12-kilo
was fixed at DM 35,410 per
(\$625.00) and the 10-ounce
ed DM 36,385 (\$644.97).

exchange markets, and last week they increased the official money

market intervention rate to 10 per cent from 12 per cent. The move prompted commercial banks to increase their prime rates from 11½ per cent to 12 per cent.

While short term funds were readily available yesterday, the Bank of France has clearly pointed the way to a tighter monetary policy. The authorities have also to consider the ill effects of January's large trade deficit and expected loss of a disappointing retail price index for the same month.

The Bank of France also increased by 1 per cent the gross yield on one to five year Treasury bills. The new scale is 5½ per cent for one year, 7 per cent for two years, 8 per cent for three years, 9 per cent for four years, and 10½ per cent for five years. As a result of these increases, the average yield on the bank's funds until

Moderate help

Day-to-day credit remained in short supply in the London money market yesterday, and the authorities gave assistance on a moderate scale. This comprised small purchases of Treasury bills and a small number of corporation bills, a direct from the discount houses and a small amount lent to two or three houses at 11 1/2% repayment today. The market was faced with the repayment of Friday's moderate loans, and there was a small net take-up of Treasury bills to finance. Q

have suspended

MONEY RATES

NEW YORK	
Prime Rate	16 $\frac{1}{2}$ -16 $\frac{3}{4}$
Fed. Funds	12.35
Treasury Bills (28-week)	13.40
GERMANY	
Discount Rate	6
Overnight Rate	8.30
One month	8.55
Three months	9.00
Six months	9.15
FRANCE	
Discount Rate	9.5
Overnight Rate	12.76
Three month	12.876
Three months	12.797
Six months	12.797
JAPAN	
Discount Rate	7.5
Call (3-month)	7.25

LONDON MONEY RATES

Feb. 25 1980	Starting Certificate of deposit	Interbank	Average
Overnight.....		12-17%	
3 days notice.....			
7 days or.....			
7 days notice.....		17 1/2-17%	1
One month.....	17 1/2-17%	17 1/2-17%	2
Two months.....	17 1/2-17%	17 1/2-17%	
Three months.....	17 1/2-17%	17 1/2-17%	
Six months.....	17 1/2-17%	17 1/2-17%	
One year.....	16 1/2-16 1/2	16 1/2-16 1/2	1
Two years.....			

Local authorities and finance houses
 rates nominally three years 15-16 per cent
 in table are buying rates for prime paper
 17 1/2 per cent.

Approximate selling rates for one-month
 16 1/2 per cent; approximate selling rates
 17 per cent; one-month trade bills 17 1/2
 Finance House Base Rate (published)
 Clearing Bank Base Rate for sums > £100,000
 16 1/2 per cent

[illegible]

ABOLITIONISM

APPOINTMENTS

A. Frankel joins

Dr. A. Frankel, chairman of Staveley Industries, has been appointed a non-executive director of MOLINS.

★

Mr. Terry Harrison, a director of Northern Engineering Industries, and Mr. David Kelly, chairman and managing director of corrugated operations. Smurfit SCA B.V. is 51 per cent owned by Smurfit and 49 per cent by Svenska Cellulosa of Sweden. Mr. Hurley continues as managing director of Smurfit's corrugated division (Ireland) and in addition becomes chairman of Alliance Smurfit Cases in the UK.

been appointed to the Northern
 Region Board of the NATIONAL
 ENTERPRISE BOARD.

*
 Mr. J. R. Spear has resigned
 as chairman and from the Board
 of J. W. SPEAR AND SONS
 after 65 years with the company.
 He continues as consultant.

*
 Mr. W. G. Muter, a director of
 Imperial Foods, Lowfield Distribu-
 tion and Imperial Tobacco has
 been appointed a non-executive
 director of WGL.

*
 Mr. Simon Dixon has been
 appointed a director of
 CHARLES BARKER CITY from
 March 1.

*
 Jefferson Smurfit Group has
 appointed Mr. C. B. Hurley as
 chief executive of SMURFIT-
 SPICA B.V., the holding company

*
 Mr. D. A. G. Sarre, a director
 of BP Trading, has been
 appointed a non-executive
 director of the BOOTH
 COMPANY.

*
 Mr. David H. Benson, a
 director of the main Board of
 Kleinwort Benson, has been
 appointed a non-executive
 director of CAMPBELL'S
 SOUPS.

*
 Mr. D. A. Hancock has been
 appointed joint group managing
 director of WADKIN in place
 of Mr. M. H. Goddard. Mr.
 Hancock has also joined the
 divisional Board of the wool
 working division, Bursgreen
 Durham and Bursgreen Coine.

*
 Mr. E. G. Septhorn has been
 appointed traction director

EUROPEAN OPTIONS EXCHANGE

EUROPEAN OILS EXCHANGE							
Series	April		July		Oct.		Stock
	Vol.	Last	Vol.	Last	Vol.	Last	
ABN C	F.800.	10	2	—	3	8	F.824
ABN CC	F.810	5	1	3	—	—	"
ABN CCC	F.820.	4	0.30	—	—	—	"
AKZ	F.820.	45	1.20	6	2.10	—	F.825.50
AKZ C	F.27.50.	6	0.70	15	0.80	1	1.60
AKZ C P	F.27.50	33	0.60	3	—	—	"
AKZ C P P	F.27.50	20	—	15	3	2	3
HEI C	F.67.50.	—	—	4	6.80	—	F.66
HEI C	F.78	—	—	—	—	1	2.30
HEI C	F.65	10	2.50	—	—	—	"
HEI C P	F.75.	—	—	—	—	2	9.80
HO C	F.22.50.	1	0.60	—	—	10	2.10
IBM C	F.85	20	4 3/4	—	—	—	F.81.50
IBM C	F.80	—	1 1/4	20	4 1/4	—	"
KLM C	F.70.	65	5.90	1	6.50	5	8
KLM CC	F.80.	64	—	1	8	—	"
KLM CC	F.80	35	0.20	—	—	—	"
KLM C P	F.100.	45	0.10	—	—	—	"
KLM C P	F.60	3	0.30	—	—	—	"
KLM C P	F.70	22	4.80	11	6.80	—	"
KLM C P	F.80	11	11.20	78	12.90	—	"
PET C	F.6000	10	500	4	550	—	F.5950
PHI C	F.80	1	0.70	120	1.50	11	170
PHI C	F.22.50	100	0.20	13	0.80	32	0.80
PHI C	F.20	6	2.80	—	—	10	1.40
PHI C	F.25.50.	—	—	—	—	—	"
PRD C	F.85	—	3 1/4	—	—	—	F.827 1/2
RD C	F.1400	80	28	4	29.50	—	F.168.90
RD C	F.150	161	30	—	—	—	"
RD C	F.160.	181	13.20	16	14.40	10	10.30
RD C	F.170	244	7.50	217	8.80	11	10.30
RD C	F.140	—	—	—	—	10	11
RD C	F.150.	2	0.80	5	2.80	1	5
RD C	F.160.	48	5.10	22	6.50	—	"
RD C	F.170.	2	1.70	28	10.40	—	"
UNI C	F.115.	2	4.50	3	5.50	—	F.114.70
UNI CC	F.120.	3	2.30	—	—	1	5
UNI CC	F.120.	3	2.30	—	—	—	"
XON C	F.70.	8	2	—	—	—	F.667 1/2
		May		Aug.		Nov.	
BA C	F.800	3	7 1/2	—	—	—	F.862 1/2
MISHW C	DM.1450	—	—	—	—	—	DM.177.50
SL C	F.5120.	3	7 1/2	—	—	—	F.5118 1/2
TOTAL VOLUME IN CONTRACTS						1926	

BASE LENDING RATES

BASE LENDING RATES			
A.B.N. Bank	17	■ Hambros Bank	17
Allied Irish Bank	17	■ Hill Samuel	17
Amro Bank	17	C. Hoare & Co.	17
Anglo-Express Bk.	17	Hongkong & Shanghai	17
Bank Anshakar	17	Industrial Bk. of Scot.	17
A P Banks Ltd.	17	Keyser Ullmann	17
■ Arbuthnot Latham	17	Knowsley & Co. Ltd.	17
Associates Cap. Corp.	17	Langris Trust Ltd.	17
Banco de Bilbao	17	Lloyds Bank	17
Bank of Credit & Comce.	17	Edward Manson & Co.	17
Bank of Cyprus	17	Midland	17
Bank of N.S.W.	17	■ Nieuw Montagu	17
Banque Belge Ltd.	17	■ Morgan Grenfell	17
Banque du Rhone et de la Tamise S.A.	17 1/2	National Westminster	17
Bareilly Bank	17	Norwich General Trust	17
Bremlar Holdings Ltd.	18	P. S. Refson & Co.	17
Charterbank of Ltd. East	17	Rossminster	17
■ Brown Shipley	17	R. B. Shaw & Co. Ltd.	17
Canada Perrat Trust	18	Schlesinger Limited	17
Cayzer Ltd.	17	E. S. Schwab	17
Cedar Holdings	17	Security Trust Co. Ltd.	18
■ Charterhouse Japhet	17	Standard Chartered	17
Chaulontan	17	Trade Dev. Bank	17
C. E. Coates	17	Trustee Savings Bank	17
Consolidated Credits	17	Twentieth Century Bk.	17
Co-operative Bank	17	United Bank of Kuwait	17
Corinthian Secs.	17	Whiteaway Laidlaw	17 1/2
The Cyprus Popular Bk.	17	Williams & Glyn's	17
Duncan Lawrie	17	Wintrust Secs. Ltd.	17
Eagle Trust	17	Yorkshire Bank	17
E. T. Trust Limited	17	■ Managers of the Accounting House	17
First Nat. Fin. Corp.	18 1/2		
First Nat. Secs. Ltd.	18		
Robert Fraser	18		
Antony Gibbs	18		
Greyhound Guaranty	17		
Grindlays Bank	17 1/2		
■ Guinness Mahon	17		
		7-day deposits 15%, 1-mo- deposits 16 1/2%.	
		1 7-day deposits on sum of £10, and under 15%, up to £25, 15% and over 25% 15 1/2%.	
		1 Demand deposits over £1,000 15%.	
		5 Demand deposits 16 1/2%.	

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Dow 7 lower at mid-session

End-session

mostly lower with losses extending to 70 pennings. The Regulating Authorities bought a nominal DM 42.6m of paper after buying DM 6.7m on Friday. Mark Foreign Loans also eased.

Tokyo

After a firm start, stocks mainly declined to leave falls outweighing gains at the close. In the First Market section by 861 to 236 following a heavy turn-over of 740m shares. This compared with last Friday's 500m share volume and Saturday's half-day session total of 430m.

The Nikkei-Dow Jones Average shed 36.71 to 6,751.29 and the Tokyo SE index 0.53 to 468.96.

Resources, Issues, Machine Manufacturers and export-orientated shares generally lost ground after a recent advance. Mitsui Coal fell ¥19 to ¥620. Sony ¥40 to ¥1,640, Nissan Motor ¥6 to ¥717 and Honda Motor ¥19 to ¥588.

Pharmaceuticals, Foods and Real Estates also receded, but Steels, Shipbuildings and Defence-related issues moved ahead on high volume. Kobe Steel rose ¥9 to ¥213, reflecting increased demand for titanium alloy, while Sumitomo Metal put up ¥3 to ¥717. Kawasaki Heavy Industries ¥14 to ¥200. Ishikawajima-Harima Heavy Industries ¥13 to ¥168 and Hitachi Shipbuilding ¥12 to ¥174.

Australia

Nervous selling following recent increases in overseas interest rates forced buyers to retreat over a wide front despite some encouraging profit results.

The Sydney All Ordinaries index fell 29.91 to 967.69 and the Metals and Minerals index 307.81 to 5,751.40.

There were fears that metal prices would tumble on world commodity markets as holders tried to liquidate their costly-to-maintain stocks.

Leichardt Explorations, after last week's upsurge on specula-

tion over its diamond exploi- areas in South Africa and big loss of \$5.59 to AS\$100.

Rand Refractories fell 70 to AS\$4.30, MIM 40 cents to Western Mining 20 cents AS\$4.60, Utah Mining 30 cents AS\$4.30, CRA 65 cents to J and Comcalco 24 cents to A.

Market leader BHP was 85 cents at AS\$12.80, which recorded 50 cents to AS\$8.00.

Bundaberg Sugar, how climbed 80 cents to AS\$9.00, company's earnings of higher than expected earnings in the wake of record world prices.

Hong Kong

The recent reactionary turned into a full-scale re yesterday, prices falling s over a broad front i active trading with nervous selling predominating. The Seng index, which closed 963.17 on February 15, its hi point for nearly seven years a further 27.35 yesterday finis at 935.82.

Hong Kong Bank recedec to HK\$22.30, Hang Land - 60 cents to HK\$1. Hutchinson Whampoa 35 HK\$ HKS\$0.05, Jardine Matheson ceds to HK\$17.50, Hong Wharf HK\$15.00 to HK\$94.50, Swire Pacific 4A - 40 cent HK\$2.55.

An exception, ever was Hang Seng Bank, gained HK\$1 to HK\$13 response to better-than-expe results.

Johannesburg

Share prices in most se declined in moderate tra Dealers ascribed the easie to investors' nervousness political events in Sou Africa, particularly Rhodes where elections take place this week.

Gold shares came under selling pressure, and only stock closed higher. H weights, such as President R Grandfontaine, lost around cents apiece.

AUSTRALIA			JAPAN (continued)	
Index	Feb. 25	Price Aust. \$	+ or -	Price Yen
All Ordinaries	967.69	100 = 100	-29.91	23,690.00
Metals & Minerals	5,751.40	100 = 100	-307.81	57,514.00
Bank Shares	1,200.00	100 = 100	-10.00	1,190.00
Industrial Shares	1,500.00	100 = 100	-10.00	1,490.00
Government Bonds	100.00	100 = 100	-0.00	100.00
Foreign Exchange	100.00	100 = 100	-0.00	100.00

[illegible]

NEW YORK—DOW JONES

[illegible]

Friday	Stocks Closing	Change	on	Friday	Stocks Closing	Change	on
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783	Union Carbide	2,580	-70
420	Union Carbide	574	+2
6,010	Maeda Cons.	475	-5

Spanish prices

NOTES: Prices on this page are \$4 quoted in individual exchanges and are based on prices in the

820	-2	Kumagai	366	+3	Source: Rio de Janeiro
345		Kyoto Ceramic	3,680	-70	
785		Lion	874	+8	
420		Maeda Cone	475	-5	
6,010					Spanish prices
1,950	-15	NOTES: Prices			

LONDON STOCK EXCHANGE

Gilts resilient despite presence of £800m tap stock

Secondary Oils speculation enlivens drab equity scene

ACCOUNT DEALING DATES

*First Declared Last Account Dealings Date
Feb. 21 Feb. 22 Mar. 3
Feb. 25 Mar. 6 Mar. 7 Mar. 17
Mar. 10 Mar. 20 Mar. 21 Mar. 31

*New time deals may take place from 9.30 a.m. two business days earlier.

A resilient gilt-edged market and a lively secondary oil sector were the two main features in stock markets yesterday. The new trading Account a shade uncertainly, subdued by a week-end Press inconclusive in its views about the continuing steel dispute and the general outlook regarding UK industrial relations.

British Funds opened at the lower levels ruling late Friday evening. Following news of further Government funding in the shape of the new long-term Treasury 14 per cent 1980 stock, payable £20 at tender, coming on to the market failed to deter investment interest, however, and quotations soon began to pick up, albeit in a slow trade.

Longer-dated stocks finally regained all Friday's losses to close with rises extending to 1: the £70-paid Treasury 12 per cent 1980 stock recovered 1: to 85. The short end of the market also began marginally easier, but rallied to end about 1/2 up on balance despite U.S. interest rate worries and a moderate shortage of credit in money markets.

Leading equities were slow to derive benefit from the trend in Gilts, but buyers became less reserved towards the close and early losses were reduced to negligible proportions. Four constituents of the FT 30-share index were quoted ex-dividend and took nearly 1/2 off the index which, however, closed only 0.05 down at 453.7 after having shown a fall of 4.6 at 11.00 a.m.

The Deminor bid for Viking Oil, up 70 at 880p, whetted speculative appetites for a host of secondary oils. Burmah was again outstanding with a fresh rise of 14 to 248p, while gains of around 50 were common to Aran Energy, 422p, and Gas and Oil Acreage, 405p. Shell was good at 382p, up 10, ahead of the group's preliminary results, due on March 6.

Traded options remained quiet and 425 contracts were completed, last week's daily average amounted to 521. A useful business was transacted in Imperial which attracted 143 deals while 96 were arranged in ICI, the

latter ahead of annual results, due on Thursday.

Allied International Designers, formerly United Rubber and Coffee Plantations, made a relatively bright market debut. From an opening level of 22p, the shares encountered small buying and closed at 30p; the shares are dealt under Special Rule.

Banks firm

Banks were unable to sustain the level of business that developed on Friday after Lloyd's annual results, but the trend was usually to higher levels. NatWest, which reports today, firmed 8 to 370p, while similar improvements were marked against Barclays, 452p, and Midland, 370p. Lloyd's, in ex-dividend form, eased a couple of pence to 300p. Elsewhere, Standard Chartered, which attracted late interest and picked up 10 to 450p, while, in Merchant Banks, Anthony Gibbs added 4 to 83p. Hambros shaded to 310p as dealers attempted to establish a trading level, but moved up in revived investment interest, however, and quotations soon began to pick up, albeit in a slow trade.

Insurance recovered a certain amount of composure after Friday's downturn. Among Composites, Commercial Union added 5 to 140p awaiting today's preliminary results, while General Accident, which reports tomorrow, firmed 4 to 425p.

Revels picked up 8 to 340p and Eagle Star a couple of pence to 155p. Brokers featured C. T. Bowring which put on 5 to 138p awaiting further moves in the Marsh McLennan bid situation.

Interest in Buildings centred mainly on selected firms. Week-end Press comment suggesting a 140p per share bid for Montague L. Meyer prompted further speculative buying which put 9 on the shares to a 1978-80 peak of 112p. Fresh support was also forthcoming for May and Hassell which rose 8 to 95p, and for Mallinson-Denny, 41 firmed at 63p. On the other hand, Magnet and Southern eased 4 to 170p on lack of interest, while International Timber, which only marginally edged at 115p, saw the large cut-back in public spending for housebuilding made little apparent impression on Contracting and Construction issues which traded narrowly around overnight levels and ended virtually unchanged on balance.

Ward 10, the excellent annual results with a gain of 3 to 65p. ICI became a subdued market awaiting Thursday's preliminary

results and slipped to 384p before settling at 390p for a net gain of a couple of pence. After touching 278p, Fisons reverted to Friday's closing level of 282p.

Stores quiet
Stores began the new Account in subdued mood. The leaders trended a penny or two firmer where altered with GUS "A" firmed 10 to 380p. Elsewhere, Vantona, added a couple of pence to 96p in front of today's

United Scientific, 5 cheaper at 470p.

A late advance of 24 to 137p in Ransome Sims in response to much better-than-expected preliminary results provided a little relief from a rather uninteresting session in Engineering. Press mention stimulated buying of Burgess Products "A" which finished 10 to the good at 54p after a reasonably lively trade. Spear and Jackson firmed 2 to 112p for a similar reason, while

preliminary results, but Kitchen Queen shed that amount to 21p following adverse Press mention. Speculative support returned for left Arrow "A" 11 cheaper at 34p. Whose eased 8 to 82p and similar losses were marked against Ductile, 88p, and Simon Engineering, 232p.

Leading Foods picked up from a subdued opening to close with net gains. Among Supermarkets, Associated Dairies firmed 5 to 178p and J. Sainsbury improved 5 to 292p, while the last named being helped by favourable Press comment. Rowntree Mackintosh hardened a couple of pence to 150p and Unigate a penny to 125p. Elsewhere, Neelders touched 55p before settling only a penny firmer on balance at 53p. Squirrel Morn came in for support and added 2 to 38p, while R. Paterson hardened a penny more to 38p.

In contrast, merger partners Morgan Edwards, 130p, encountered further profit-taking and shed 3 and a penny respectively. In quiet Hotels and Caterers, De Vere touched 253p on early interest before reverting to Friday's closing level of 250p. Savoy Charlotte, annual results today, held at 24p.

Inclined easier at the start, some of the miscellaneous Indus-

trial leaders picked to close a little firmer on the day. Glaxo ended 6 dearer at 248p, after 238p, while Boots, 185p, and Bowater, 176p, both finished a net penny or so firmer. Elsewhere conditions were rather subdued but London and Midlands Industrials were noteworthy for a rise of 7 to 111p in response to favourable week-end Press mention.

Others to reflect Press comment included, Euro Ferries, a penny harder at 115p, and E. Fogarty, 2 higher at 76p. Buyers showed interest in Bridon which improved 5 to 76p, while gains of 4 were recorded in Smiths Industries, 220p, Kopper, 78p, and Dilmia, 176p. Hoover A. hardened 2 to 126p awaiting today's preliminary results. In contrast, British Cargo weakened 5 further to 40p, while Hamilton, a firm market of late, reacted 3 to 60p.

In Motor Distributors, Healey attracted a reasonable business and closed 3 to the good at 82p, but Caiffyns fell 4 to 188p, in the absence of bid developments. Scottish Ford dealers Alexander's added a penny to 144p on the record profits and prospects. Components were mixed; Lucas added a few pence to 237p, while Brown Brothers hardened a shade to 29p ahead of tomorrow's half-timer. On the other hand, Dowty shed 3 to 184p.

BPM A. interim results due tomorrow, firmed 3 to 92p. Elsewhere in Papers, Buzi Pulp, at 119p, recovered 3 of Friday's fall of 8 which followed the sale of the company's Austrian interests. Business in Properties picked up during the late dealings and the overall trend was firm. Land Securities finished 4 higher at 292p and MEPC a couple of pence to the good at 195p, while Great Portland Estates added 4 to 222p.

Elsewhere the market was badly hit. Among the high-quality issues, Concorde Riofina dropped 35 to 265p, MIM Holdings gave up 30 to 260p, EZ Industries a like amount to 355p, Seistrut A. 16 to 308p and Western Mining 10 to 260p.

Ashton Venturers Northern Mining and Ashton Mining lost ground with the latter 9 cheaper at 147p and the former 12 off at 124p.

The recent speculative favourites were heavily sold. Leichardt Exploration dropped

while Attek put on 25 to 234p and Cliff 20 to 395p. Leading issues tended to be overshadowed, but Shell improved 10 to 382p awaiting the preliminary results, due next week.

The majority of movements were against holders in Trusts, but Atlantic Assets, reflecting its oil interests, firmed 4 to 168p. Occasional demand was forthcoming for Shippings. Hopes of an increased offer continued to stimulate demand for Furness Withy, 5 higher at 380p, after 382p. Hunting Gibson firmed 4 to 307p and Ocean Transport 21 to 102p. Milford Docks, however, met further selling and gave up 7 more to 135p.

Among irregulars, Textiles, Hush Mackay continued dull and shed 3 for a two-day fall of 5 at 37p. Blackwood Morton eased a penny more to 16p, but Courtauld recovered an earlier fall of 2 to close unchanged at 72p. Lister met support and added a couple of pence to 68p, while speculative demand lifted Shaw 5 to 111p and Sirdar 7 to 100p.

South African industrials turned easier with Great Easterns A. 360p, and OK Bazaars, 620p, both falling around 3p, while Barlow Rand shed 15 to 435p and South African Breweries gave up 6 at 137p.

Australian mining issues took their cue from overnight domestic markets where fears of higher interest rates and falling metal prices prompted a further heavy shake-out.

Prices were marked down at the outset and fell further as sizeable and persistent selling was reported. A modest rally developed around the early afternoon but this soon petered out. Elsewhere the market was badly hit. Among the high-quality issues, Concorde Riofina dropped 35 to 265p, MIM Holdings gave up 30 to 260p, EZ Industries a like amount to 355p, Seistrut A. 16 to 308p and Western Mining 10 to 260p.

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FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS		Mon., Feb. 25, 1980											
Figures in parentheses show number of stocks per section		Index	Day's Change %	Est. Earnings Yield (%) (Max.)	Cross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Index	Index	Index	Index	Index	Index	Year ago (approx.)
1	CAPITAL GOODS (172)	261.11	+0.2	18.14	6.99	6.96	240.53	262.12	263.21	265.57	231.78		
2	Building Materials (27)	226.29	+0.1	16.87	6.49	6.77	205.82	228.14	231.21	235.62			
3	Contracting, Construction (29)	263.46	-0.4	26.07	6.78	4.76	345.20	264.35	268.47	272.75	246.85		
4	Electricals (15)	226.76	+1.0	12.87	3.96	10.35	626.25	228.73	232.58	235.90	258.57		
5	Engineering Contractors (11)	293.27	+0.7	25.25	8.73	5.04	295.40	295.49	296.80	300.01	305.34		
6	Mechanical Engineering (74)	165.62	-0.1	20.74	7.87	5.98	165.79	166.82	167.36	168.63	177.24		
7	Metals and Metal Forming (16)	159.64	-0.2	21.32	5.91	5.60	159.92	160.49	162.10	164.51	158.96		
CONSUMER GOODS													
11	(DURABLE) (50)	220.23	+0.7	16.20	5.55	7.60	218.70	220.62	220.58	222.26	213.35		
12	L. Electronics, Radio, TV (15)	218.34	+0.9	12.40	4.15	10.35	307.46	218.63	218.55	219.51	220.31		
13	Household Goods (14)	118.97	-0.3	27.48	9.88	4.35	111.31	113.31	113.55	114.64	119.34		
14	Motors and Distributors (21)	111.50	+0.1	23.89	8.36	4.92	111.34	111.61	111.26	111.59	116.36		
CONSUMER GOODS													
21	(NON-DURABLE) (173)	219.02	-	18.48	6.96	6.67	219.12	219.63	219.57	220.89	213.80		
22	Beverages (14)	264.37	+0.3	16.90	6.61	6.95	263.64	264.68	265.19	266.46	272.72		
23	Wines and Spirits (5)	290.96	+0.6	18.65	6.57	6.62	289.14	290.17	289.29	291.45	296.58		
24	Entertainment, Catering (17)	226.40	+0.1	18.70	7.03	6.04	304.80	227.37	230.84	236.96	204.96		
25	Food Manufacturing (19)	200.24	-0.5	20.22	7.28	6.12	201.25	202.54	203.43	205.59	201.04		
26	Food Retailing (15)	300.75	+0.7	13.81	4.99	8.65	299.32	300.92	301.05	303.39	294.08		
27	Newspapers, Publishing (13)	143.26	-0.1	22.77		6.27	142.92	143.67	143.67	145.55	140.88		
32	Packaging and Paper (18)	129.05	-0.2	23.67	8.80	5.98	129.25	129.17	129.50	131.06	136.12		
34	Shoes (43)	218.05	+0.8	14.11	5.22	9.16	216.37	215.62	216.17	217.50	198.85		
35	Textiles (24)	129.79	+0.7	27.76	11.62	4.56	128.89	130.34	132.95	134.65	172.79		
36	Tobacco (3)	204.10	-1.9	28.45	11.53	3.99	208.16	207.18	209.34	208.76	208.85		
37	Toys and Games (5)	26.61	-0.1	38.95	13.31	3.15	36.61	26.61	26.61	26.61	26.61		
41	Chemicals (17)	308.94	+0.3	15.91	6.52	7.26	308.12	309.60	309.16	312.01	298.92		
42	Chemicals (17)	308.94	+0.3	15.91	6.52	7.26	308.12	309.60	309.16	312.01	298.92		
43	Pharmaceutical Products (73)	218.72	-0.4	12.08	6.07	10.09	209.98	211.14	212.15	213.39	245.60		
44	Office Equipment (6)	118.57	-0.6	17.83	6.89	6.52	113.30	118.61	118.84	119.17	133.84		
45	Shipping (10)	473.11	+0.9	11.19	6.83	11.41	468.67	469.35	473.82	473.30	418.35		
46	Shipbuilding (57)	294.46	-0.1	16.51	6.61	7.68	294.79	295.46	296.24	297.57	294.57		
47	INDUSTRIAL GROUP (492)	229.17	+0.1	17.45	6.43	7.88	229.83	229.85	230.23	232.62	227.57		
51	Oil (8)	817.46	+1.3	13.75	5.34	7.86	806.95	810.14	812.41	809.25	864.75		
59	50 SHARE INDEX	275.47	-0.4	16.62	6.45	7.24	274.41	276.13	276.07	277.51	258.10		
FINANCIAL GROUP (117)													
61	Bank (6)	196.62	+1.0	-	5.71	-	194.99	195.48	195.76	199.04	177.87		
62	Bank (6)	232.16	+1.1	35.82	5.78	3.56	229.59	228.36	227.47	231.97	226.70		
63	Discount Houses (10)	228.12	-0.9	5.91	5.19	7.18	184.73	228.94	229.43	230.73	224.81		
64	Life Insurance (11)	183.27	-0.8	18.14	3.19	7.18	184.73	182.53	183.33	178.47	174.75		
65	Insurance (Life) (10)	169.72	-0.8	-	6.20	-	168.38	169.94	169.17	171.21	125.25		
66	Insurance (Composite) (9)	125.75	+2.1	-	7.73	-	123.20	127.52	126.08	130.22	122.22		
67	Insurance Brokers (10)	283.00	+0.1	17.45	6.43	8.23	279.32	279.70	279.00	282.25	303.81		
68	Merchant Banks (15)	103.30	-0.5	5.86	3.05	3.86	104.78	105.27	105.35	105.35	79.80		
69	Property (44)	309.85	+0.7	3.72	3.86	38.50	307.31	307.31	307.31	307.31	307.31		
70	Real Estate (10)	131.54	+0.9	15.79	6.91	8.31	130.95	131.37	132.85	133.85	116.51		
71	Investment Trusts (109)	223.79	-0.9	-	5.74	-	225.70	227.02	228.26	229.18	208.43		
81	Mining Finance (4)	213.25	-1.5	10.81	4.15	11.23	216.52	216.52	213.40	221.57	124.89		
91	Overseas Traders (20)	403.67	-1.0	12.86	6.67	9.75	407.93	411.91	413.79	423.33	331.91		
99	ALL SHARE INDEX (750)	257.58	+0.3	-	6.22	-	256.79	258.26	258.40	260.43	234.80		

INDUSTRIALS—Continued

1979-80	1978-79	1977-78	1976-77	1975-76	1974-75	1973-74	1972-73	1971-72	1970-71	1969-70	1968-69	1967-68	1966-67	1965-66	1964-65	1963-64	1962-63	1961-62	1960-61	1959-60	1958-59	1957-58	1956-57	1955-56	1954-55	1953-54	1952-53	1951-52	1950-51	1949-50	1948-49	1947-48	1946-47	1945-46	1944-45	1943-44	1942-43	1941-42	1940-41	1939-40	1938-39	1937-38	1936-37	1935-36	1934-35	1933-34	1932-33	1931-32	1930-31	1929-30	1928-29	1927-28	1926-27	1925-26	1924-25	1923-24	1922-23	1921-22	1920-21	1919-20	1918-19	1917-18	1916-17	1915-16	1914-15	1913-14	1912-13	1911-12	1910-11	1909-10	1908-09	1907-08	1906-07	1905-06	1904-05	1903-04	1902-03	1901-02	1900-01	1899-00	1898-99	1897-98	1896-97	1895-96	1894-95	1893-94	1892-93	1891-92	1890-91	1889-90	1888-89	1887-88	1886-87	1885-86	1884-85	1883-84	1882-83	1881-82	1880-81	1879-80	1878-79	1877-78	1876-77	1875-76	1874-75	1873-74	1872-73	1871-72	1870-71	1869-70	1868-69	1867-68	1866-67	1865-66	1864-65	1863-64	1862-63	1861-62	1860-61	1859-60	1858-59	1857-58	1856-57	1855-56	1854-55	1853-54	1852-53	1851-52	1850-51	1849-50	1848-49	1847-48	1846-47	1845-46	1844-45	1843-44	1842-43	1841-42	1840-41	1839-40	1838-39	1837-38	1836-37	1835-36	1834-35	1833-34	1832-33	1831-32	1830-31	1829-30	1828-29	1827-28	1826-27	1825-26	1824-25	1823-24	1822-23	1821-22	1820-21	1819-20	1818-19	1817-18	1816-17	1815-16	1814-15	1813-14	1812-13	1811-12	1810-11	1809-10	1808-09	1807-08	1806-07	1805-06	1804-05	1803-04	1802-03	1801-02	1800-01	1799-00	1798-99	1797-98	1796-97	1795-96	1794-95	1793-94	1792-93	1791-92	1790-91	1789-90	1788-89	1787-88	1786-87	1785-86	1784-85	1783-84	1782-83	1781-82	1780-81	1779-80	1778-79	1777-78	1776-77	1775-76	1774-75	1773-74	1772-73	1771-72	1770-71	1769-70	1768-69	1767-68	1766-67	1765-66	1764-65	1763-64	1762-63	1761-62	1760-61	1759-60	1758-59	1757-58	1756-57	1755-56	1754-55	1753-54	1752-53	1751-52	1750-51	1749-50	1748-49	1747-48	1746-47	1745-46	1744-45	1743-44	1742-43	1741-42	1740-41	1739-40	1738-39	1737-38	1736-37	1735-36	1734-35	1733-34	1732-33	1731-32	1730-31	1729-30	1728-29	1727-28	1726-27	1725-26	1724-25	1723-24	1722-23	1721-22	1720-21	1719-20	1718-19	1717-18	1716-17	1715-16	1714-15	1713-14	1712-13	1711-12	1710-11	1709-10	1708-09	1707-08	1706-07	1705-06	1704-05	1703-04	1702-03	1701-02	1700-01	1699-00	1698-99	1697-98	1696-97	1695-96	1694-95	1693-94	1692-93	1691-92	1690-91	1689-90	1688-89	1687-88	1686-87	1685-86	1684-85	1683-84	1682-83	1681-82	1680-81	1679-80	1678-79	1677-78	1676-77	1675-76	1674-75	1673-74	1672-73	1671-72	1670-71	1669-70	1668-69	1667-68	1666-67	1665-66	1664-65	1663-64	1662-63	1661-62	1660-61	1659-60	1658-59	1657-58	1656-57	1655-56	1654-55	1653-54	1652-53	1651-52	1650-51	1649-50	1648-49	1647-48	1646-47	1645-46	1644-45	1643-44	1642-43	1641-42	1640-41	1639-40	1638-39	1637-38	1636-37	1635-36	1634-35	1633-34	1632-33	1631-32	1630-31	1629-30	1628-29	1627-28	1626-27	1625-26	1624-25	1623-24	1622-23	1621-22	1620-21	1619-20	1618-19	1617-18	1616-17	1615-16	1614-15	1613-14	1612-13	1611-12	1610-11	1609-10	1608-09	1607-08	1606-07	1605-06	1604-05	1603-04	1602-03	1601-02	1600-01	1599-00	1598-99	1597-98	1596-97	1595-96	1594-95	1593-94	1592-93	1591-92	1590-91	1589-90	1588-89	1587-88	1586-87	1585-86	1584-85	1583-84	1582-83	1581-82	1580-81	1579-80	1578-79	1577-78	1576-77	1575-76	1574-75	1573-74	1572-73	1571-72	1570-71	1569-70	1568-69	1567-68	1566-67	1565-66	1564-65	1563-64	1562-63	1561-62	1560-61	1559-60	1558-59	1557-58	1556-57	1555-56	1554-55	1553-54	1552-53	1551-52	1550-51	1549-50	1548-49	1547-48	1546-47	1545-46	1544-45	1543-44	1542-43	1541-42	1540-41	1539-40	1538-39	1537-38	1536-37	1535-36	1534-35	1533-34	1532-33	1531-32	1530-31	1529-30	1528-29	1527-28	1526-27	1525-26	1524-25	1523-24	1522-23	1521-22	1520-21	1519-20	1518-19	1517-18	1516-17	1515-16	1514-15	1513-14	1512-13	1511-12	1510-11	1509-10	1508-09	1507-08	1506-07	1505-06	1504-05	1503-04	1502-03	1501-02	1500-01	1499-00	1498-99	1497-98	1496-97	1495-96	1494-95	1493-94	1492-93	1491-92	1490-91	1489-90	1488-89	1487-88	1486-87	1485-86	1484-85	1483-84	1482-83	1481-82	1480-81	1479-80	1478-79	1477-78	1476-77	1475-76	1474-75	1473-74	1472-73	1471-72	1470-71	1469-70	1468-69	1467-68	1466-67	1465-66	1464-65	1463-64	1462-63	1461-62	1460-61	1459-60	1458-59	1457-58	1456-57	1455-56	1454-55	1453-54	1452-53	1451-52	1450-51	1449-50	1448-49	1447-48	1446-47	1445-46	1444-45	1443-44	1442-43	1441-42	1440-41	1439-40	1438-39	1437-38	1436-37	1435-36	1434-35	1433-34	1432-33	1431-32	1430-31	1429-30	1428-29	1427-28	1426-27	1425-26	1424-25	1423-24	1422-23	1421-22	1420-21	1419-20	1418-19	1417-18	1416-17	1415-16	1414-15	1413-14	1412-13	1411-12	1410-11	1409-10	1408-09	1407-08	1406-07	1405-06	1404-05	1403-04	1402-03	1401-02	1400-01	1399-00	1398-99	1397-98	1396-97	1395-96	1394-95	1393-94	1392-93	1391-92	1390-91	1389-90	1388-89	1387-88	1386-87	1385-86	1384-85	1383-84	1382-83	1381-82	1380-81	1379-80	1378-79	1377-78	1376-77	1375-76	1374-75	1373-74	1372-73	1371-72	1370-71	1369-70	1368-69	1367-68	1366-67	1365-66	1364-65	1363-64	1362-63	1361-62	1360-61	1359-60	1358-59	1357-58	1356-57	1355-56	1354-55	1353-54	1352-53	1351-52	1350-51	1349-50	1348-49	1347-48	1346-47	1345-46	1344-45	1343-44	1342-43	1341-42	1340-41	1339-40	1338-39	1337-38	1336-37	1335-36	1334-35	1333-34	1332-33	1331-32	1330-31	1329-30	1328-29	1327-28	1326-27	1325-26	1324-25	1323-24	1322-23	1321-22	1320-21	1319-20	1318-19	1317-18	1316-17	1315-16	1314-15	1313-14	1312-13	1311-12	1310-11	1309-10	1308-09	1307-08	1306-07	1305-06	1304-05	1303-04	1302-03	1301-02	1300-01	1299-00	1298-99	1297-98	1296-97	1295-96	1294-95	1293-94	1292-93	1291-92	1290-91	1289-90	1288-89	1287-88	1286-87	1285-86	1284-85	1283-84	1282-83	1281-82	1280-81	1279-80	1278-79	1277-78	1276-77	1275-76	1274-75	1273-74	1272-73	1271-72	1270-71	1269-70	1268-69	1267-68	1266-67	1265-66	1264-65	1263-64	1262-63	1261-62	1260-61	1259-60	1258-59	1257-58	1256-57	1255-56	1254-55	1253-54	1252-53	1251-52	1250-51	1249-50	1248-49	1247-48	1246-47	1245-46	1244-45	1243-44	1242-43	1241-42	1240-41	1239-40	1238-39	1237-38	1236-37	1235-36	1234-35	1233-34	1232-33	1231-32	1230-31	1229-30	1228-29	1227-28	1226-27	1225-26	1224-25	1223-24	1222-23	1221-22	1220-21	1219-20	1218-19	1217-18	1216-17	1215-16	1214-15	1213-14	1212-13	1211-12	1210-11	1209-10	1208-09	1207-08	1206-07	1205-06	1204-05	1203-04	1202-03	1201-02	1200-01	1199-00	1198-99	1197-98	1196-97	1195-96	1194-95	1193-94	1192-93	1191-92	1190-91	1189-90	1188-89	1187-88	1186-87	1185-86	1184-85	1183-84	1182-83	1181-82	1180-81	1179-80	1178-79	1177-78	1176-77	1175-76	1174-75	1173-74	1172-73	1171-72	1170-71	1169-70	1168-69	1167-68	1166-67	1165-66	1164-65	1163-64	1162-63	1161-62	1160-61	1159-60	1158-59	1157-58	1156-57	1155-56	1154-55	1153-54	1152-53	1151-52	1150-51	1149-50	1148-49	1147-48	1146-47	1145-46	1144-45	1143-44	1142-43	1141-42	1140-41	1139-40	1138-39	1137-38	1136-37	1135-36	1134-35	1133-34	1132-33	1131-32	1130-31	1129-30	1128-29	1127-28	1126-27	1125-26	1124-25	1123-24	1122-23	1121-22	1120-21	1119-20	1118-19	1117-18	1116-17	1115-16	1114-15	1113-14	1112-13	1111-12	1110-11	1109-10	1108-09	1107-08	1106-07	1105-06	1104-05	1103-04	1102-03	1101-02	1100-01	1099-00	1098-99	1097-98	1096-97	1095-96	1094-95	1093-94	1092-93	1091-92	1090-91	1089-90	1088-89	1087-88	1086-87	1085-86	1084-85	1083-84	1082-83	1081-82	1080-81	1079-80	1078-79	1077-78	1076-77	1075-76	1074-75	1073-74	1072-73	1071-72	1070-71	1069-70	1068-69	1067-68	1066-67	1065-66	1064-65	1063-64	1062-63	1061-62	1060-61	1059-60	1058-59	1057-58	1056-57	1055-56	1054-55	1053-54	1052-53	1051-52	1050-51	1049-50	1048-49	1047-48	1046-47	1045-46	1044-45	1043-44	1042-43	1041-42	1040-41	1039-40	1038-39	1037-38	1036-37	1035-36	1034-35	1033-34	1032-33	1031-32	1030-31	1029-30	1028-29	1027-28	1026-27	1025-26	1024-25	1023-24	1022-23	1021-22	1020-21	1019-20	1018-19	1017-18	1016-17	1015-16	1014-15	1013-14	1012-13	1011-12	1010-11	1009-10	1008-09	1007-08	1006-07	1005-06	1004-05	1003-04	1002-03	1001-02	1000-01	999-00	998-99	997-98	996-97	995-96	994-95	993-94	992-93	991-92	990-91	989-90	988-89	987-88	986-87	985-86	984-85	983-84	982-83	981-82	980-81	979-80	978-79	977-78	976-77	975-76	974-75	973-74	972-73	971-72	970-71	969-70	968-69	967-68	966-67	965-66	964-65	963-64	962-63	961-62	960-61	959-60	958-59	957-58	956-57
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Kabul: Russia accuses West

BY OUR FOREIGN STAFF

THE SOVIET UNION yesterday reaffirmed its determination to use troops to defend the Afghan regime from what it now suggests is a major challenge by the West.

Tass, the Soviet news agency, said the Moscow-backed government in Kabul was threatened with "outright terror and violence." A despatch from the beleaguered city said the "most reactionary forces of the world" had teamed up in attacking Afghanistan.

Western reports said the capital remained tense and unsettled yesterday, although quieter as public protests against the two-month-old Soviet military intervention in the country moved into their fifth day.

The state-owned Radio Kabul reported continuing disturbances in the city. Shooting was heard in the morning, shops remained

closed and few civil servants reported for work. Tanks guarded government buildings, while troops and armed civilians patrolled the streets.

In a despatch yesterday from Kabul, Associated Press said 300 civilians had died in six hours of bloody street-fighting there last Friday. With the proclamation of martial law that day, ultimate government authority was said to have passed into the hands of a Soviet army general whose name has not been announced. Mr. Bakht Karim, the Soviet-backed Afghan leader installed last Christmas, has not been seen in public for three weeks.

The Tass report followed last week's pledge by Mr. Brezhnev, the Soviet President, that the Soviet Union would withdraw its troops from Afghanistan only after "outside interference" there had ended.

In an unusually frank ad-

mission the report indicated that a large part of the Afghan population did not support the Government of Mr. Karim.

Outside the country, Moslem rebel organisations reported fighting from Afghanistan's eastern provinces, notably Pakista on the Pakistan border. One group put Afghan army losses in the area at 400 and guerrilla deaths at 150 to 200.

East Germany has begun an airlift of Afghan government soldiers wounded in the fighting against Moslem rebels to East Germany, where they are being given emergency medical treatment. The first group required arm or leg amputations, according to the East German government news agency.

The European NATO allies are stepping up their consultations over Afghanistan and appear to be drawing other

pro-Western countries into the talks.

Sr. Adolfo Suarez, the Spanish Prime Minister, and Sr. Marcelino Oreja, Foreign Minister, discussed Afghanistan yesterday in Bonn with Chancellor Schmidt. Earlier the Chancellor talked with Mrs. Thatcher, in a surprise visit to London.

Sig. Attilio Ruffini, the Italian Foreign Minister, met Dr. Hans-Dietrich Genscher, West German Foreign Minister, Lord Carrington, Foreign Secretary, is due in Bonn today on a similar mission.

Philip Rawstorne writes: In his talks with Mrs. Thatcher, Herr Schmidt also discussed the EEC budget and Britain's demands for a substantial cut in its contribution. The talks were reported to have been frank and friendly but to have resulted in no policy conclusions.

Jenkin to explain sacking of rebels

BY ROBIN PAULEY

MR. PATRICK JENKIN, the Social Services Secretary, will today make a statement to the Commons on yesterday's High Court ruling that he was wrong to strip a South London area health authority of its powers for refusing to make spending cuts.

South London MPs and the Opposition front bench yesterday demanded that Mr. Jenkin explain his "illegal" action. Mr. Bob Mellish, Labour MP for Bournemouth, said: "Mr. Jenkin's decision to sack Lambeth, Southwark and Lewisham Area Health Authority was wrong and had caused damage. The commissioners appointed in place of the sacked rebels had closed St. Olaves Hospital."

Giving judgment in favour of Lambeth, Southwark and Lewisham Borough Councils, which had asked for Mr. Jenkin's order to be set aside, Mr. Justice Woolf said Mr. Jenkin was "acting on seriously misleading advice" when he put commissioners in to run the health authority for an unspecified time "which in law he has no power to do."

Costs, estimated at between £10,000 and £15,000, were awarded to the three London boroughs.

Mr. Jenkin appointed the commissioners last August after the authority refused to make the spending cuts of £3.5m he ordered to eliminate over-

spending. The commissioners are to continue in authority for the time being pending a possible appeal. The Department of Health and Social Security said last night that no decision on whether to appeal would be made till the judgment had been carefully considered.

In his judgment, Mr. Justice Woolf said the Social Services Secretary had decided that the authority's refusal to make the spending cuts constituted an emergency. He had stripped the 33 members of the authority of their powers and appointed commissioners.

But he failed to give proper consideration to the primary remedy. Under the National Health Service Act 1977, he should have issued directions to the authority.

If members of the authority did not then comply, they could have been declared in default and been replaced. Mr. Jenkin had missed out this stage.

In addition, he was wrongly advised and wrong to think he was empowered to make an emergency order of unspecified duration which could be revoked when he thought the time was right.

"This section of the Act was intended to give the Secretary of State an additional reserve power to take steps over a period, limited in time, to deal with a particular crisis."

"It was not intended to be used to take over all the functions of the authority for an unlimited period so as to control financial affairs in the area," the judge said.

He said it would be in the public interest for the appointed commissioners to remain in authority, pending a possible appeal.

He refused an application by Mr. Louis Blom-Cooper QC, on behalf of the local authorities, that March 31, the financial year end, should be fixed as the date for the authority members to resume office with full power.

Continued from Page 1

Yen

by a 1 per cent rise in the Bank of Japan's discount rate. There have been suggestions on the Tokyo market, however, that its U.S. rate could go up soon by another 1 per cent. Japan would be in no position to adjust its own rate again if this was done as such a step would disrupt discussions on the 1980 budget.

If the rate dips below 2.250 in the next few days, the Ministry of Finance may recall the \$70m worth of foreign currency it is believed to have deposited with Japanese commercial banks to increase the resources available for intervention.

Another possible move would be to activate the swap agreement reached in October 1978 with the U.S. Federal Reserve. Under this, the Bank of Japan could borrow up to \$50m to be used for the defence of the yen.

The withdrawal of Finance Ministry deposits from the commercial banks has the disadvantage that the banks might be forced to compensate by raising additional funds on the Eurodollar market, thereby forcing up Eurodollar rates. This, in turn, could lead to an increase in the U.S. Federal Reserve's discount rate, which would constitute additional pressure on the yen.

THE LEX COLUMN

General Mining's tight terms

General Mining's formal offer for the 48.3 per cent of Union Corporation which it does not already own does not make very inspiring reading. The document shows that this all-share transaction would leave Unico shareholders nearly 15 per cent better off in terms of earnings and dividends per share, and give them a 4 per cent gain in terms of assets per share. But these calculations are based on 1979 figures, when the price of gold averaged not much more than half the level achieved between October and February.

Gemin claims that gold would have to go to \$750-\$800 an ounce before Unico shareholders actually started to lose out through this deal. It also suggests that the effect of offering a lot more shares would be to penalise its existing shareholders. The number of Gemin shares in issue stands to rise from 2m to over 78m as a result of this deal and a rights issue, which will not be open to the Unico minority.

Unico has a strong balance sheet in its own right, and although its financial flexibility would be improved as a wholly owned subsidiary of Gemin, it seems capable of financing its development requirements independently. Moreover, it represents a much purer investment in precious metals than Gemin.

Last year gold, uranium and platinum provided 45 per cent of the net income attributable to a Unico shareholder — 10 points higher than would have been the case had Gemin's proposals then been implemented.

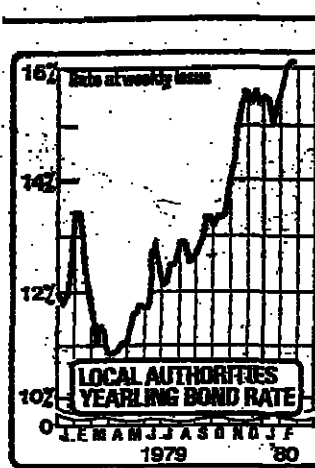
Unico's latest gold developments, starts paying dividends very soon, and the Beisa gold and uranium mine will be in production next year.

Of course Gemin also has some big developments under way, notably in coal, and if it can persuade Unico shareholders to regard its offer as a merger rather than a takeover its terms will probably look acceptable.

But minorities can be awkward, as S. Pearson found when it tried to buy out the outstanding shares in Pearson Longman in 1978. Gemin cannot vote its own Unico shares in support of its proposals, and needs three-quarters of the votes cast in its favour. With about a quarter of the independent Unico shares held outside South Africa, this affair is not cut and dried.

Local authorities It is a highly expensive period in the financial markets for local authorities, now in the middle of what is seasonally

Index fell 0.5 to 453.7



their peak borrowing quarter. For some time already indebtedness has been shooting up sharply: last week's figures indicated a local authority borrowing requirement of £2.35bn for calendar 1979 against only just over £1bn the year before.

Town hall treasurers have been forced into the short-term markets — around £1.5bn of the 1979 requirement was financed through temporary debt.

At current levels fixed rate longer-term borrowing is regarded as far too dangerous a choice, given the widespread hope that interest rates will fairly soon begin to ease. Thus borrowing from the Public Works Loan Board has fallen to a trickle — only just over £100m in the second half of 1979 — and there has been no fixed rate stock issue since Southwark's at 12 1/2 per cent nearly 18 months ago. Meantime the cushion of older fixed rate debt is disappearing (around £180m matured last year).

Moreover the option of variable rate term loans from the banks no longer looks at all soft. With the banking system bursting through the corset, the local authorities are having to compete for rationed credit against commercial customers. So spreads over LIBOR are moving up through 1 1/2 per cent, pushing up the cost of rollovers to the region of 19 per cent.

Fortunately, most local authorities appear to have a reasonable safety margin in relation to the statutory ceiling for under one-year debt; which must not rise to more than 20 per cent of the total. The average for short term debt is probably only about 15 per cent (though some individual authorities will clearly be sailing much closer to the wind than this).

At the longer end, however, the excitement over this bid adds spice to the market debate (on Thursday) of Berkeley Exploration, which, like Viking, will be quoted under Rule 163 (3). An offer for sale valuing Berkeley at £44m was 40 times oversubscribed, even though its most promising acreage, the gas-bearing block 16/28, cannot claim seepage from fashionable Tiffany.

high money rates are playing havoc with the official scheme to lengthen borrowing books through the application of the voluntary code. Some time ago the plan to raise the average life of the longer term portion in 1979-80 from five to six years was abandoned, and there must be serious doubts about whether the higher target can be adopted for the next financial year either.

Deminex/Viking

The takeover terms agreed between Deminex and Viking Oil amount to a satisfactory way of limiting risk for both sides. Viking shareholders are being offered 23 cash per share and a royalty unit, which gives them an interest in the sales of any oil over and above a minimum to allow Deminex to recover exploration costs — produced on Viking's acreage. Yesterday the Viking share price rose 70p to 880p, valuing the royalty unit at 580p.

Viking shareholders are thus relieved of the need to provide finance for exploration; the company raised money through a rights issue last year, but another would soon have become inevitable. Equally, they are able to extract some cash from their investment (which has paid no dividends yet) while retaining an interest in a speculative oil vehicle. The return they receive on the royalty unit is calculated on a sliding scale, which makes their investment more highly geared to the eventual volume of production.

Deminex, for its part, is not paying too high a price initially for what remains a very speculative investment. In December, Wood Mackenzie suggested that Viking's asset value per share was somewhere between 390p and £23.90 depending on the extent to which the Brae and Tiffany fields spill over into block 16/12, a stake in which is Viking's principal asset, and on whether there is another zone similar to the "block fields" somewhere else in the block.

The consortium, of which Viking is a member has only sunk one appraisal well so far in 16/12.

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Nuclear proliferation move

BY DAVID FISLOCK, SCIENCE EDITOR

THE U.S. Government has moved closer to other nuclear nations, including Britain, France and Japan, on the means to tighten control over proliferation of nuclear weapons.

This was disclosed in a statement by U.S. Ambassador Gerard Smith at the final plenary meeting of the International Nuclear Fuel Cycle Evaluation (INFCE) in Vienna yesterday.

INFCE, in which 46 nations and five international bodies interested in civil nuclear power have participated for more than two years, was convened on the initiative of President Jimmy Carter.

Ambassador Smith told the conference his Government now acknowledged that proliferation

was basically a political problem, and that there were risks of proliferation in every method of winning energy from nuclear fuel.

He said there was "no question that over the long term the fast breeder reactor can extend uranium resources in a dramatic way." The U.S. itself was investing heavily in the technology.

The U.S. was "prepared to work co-operatively for an effective plutonium storage regime," to safeguard plutonium separated by reprocessing spent nuclear fuel.

But he gave no sign that the U.S. Government was prepared to lift its ban on commercial reprocessing of spent fuel, or on development of a commercial fast reactor.

Ambassador Smith said that fast breeder reactors — which must be big if they are to work efficiently as uranium-conserving machines — were unlikely to be economically attractive to nations with modest nuclear power programmes.

INFCE has agreed that the answer to proliferation lies in a political solution, in the form of new institutions — such as storage of plutonium under international safeguards.

Britain, both generally and in its specific efforts on plutonium storage, is in full accord with this view. The British Government's view is that the outcome broadly endorses its present policies.

Britain, like France, has concentrated on development of

the commercial fast reactor in the belief that this was the most efficient as well as the most secure way of managing the plutonium — accumulating as a by-product of current reactors.

But INFCE recognises an urgent need for stronger guarantees of technology, fuels, and services for customer nations, and the general dissatisfaction with existing bi-lateral supply treaties.

Yugoslavia yesterday urged that UN conference on peaceful uses of nuclear energy scheduled for 1983 should be set as the target-date for new institutions guaranteeing technology transfer and fuel supplies, as well as safeguards against proliferation.

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Government aid for Channel tunnel unlikely

BY LYNTON McLAINE

THE GOVERNMENT is almost certain to refuse backing for British Rail's revived plans for a channel tunnel. The decision is likely to be announced in the next session of Parliament after an interim statement to the Commons next month.

Ministers have been told that the project is unlikely to achieve the 15 per cent return on capital forecast by British Rail and French Rail in their original proposals, which the two railways undertakings estimate would cost £650m. The Government now believes this is widely optimistic, after considering the findings of Sir Alec Cairncross, the special adviser appointed by Mr. Norman Fowler, the Transport Minister.

The subject has already been informally considered by the Cabinet. Mr. Fowler has no set view about the tunnel, other than that it should not be supported by public funds.

Up to 20 per cent of the capital cost of the tunnel could come from a European Commission fund envisaged under a 20-year transport infrastructure plan, costing up to £21bn, now being considered in Brussels.

None the less, the Government fear is that it might be expected to foot the whole UK share — 50 per cent — of the project. Private sector funding is seen as unlikely to materialise because of growing uncertainties about the rate of return on capital.

At the same time, ministers have been told that Channel traffic growth in 1980s and 1990s is likely to be lower than originally forecast. On top of this, the £650m estimate is regarded as too low, given the need for station improvements and extra customs facilities.

However, the Government, although pessimistic about prospects for the British Rail scheme in the present economic climate, has not ruled out any of the competing schemes.

The BR scheme is the only one to have been submitted for evaluation by Transport Department officials so far. The Government does not, at present, intend to ask for submissions by other groups, although these are infrastructure plan.

expected to submit their schemes voluntarily soon. Proposals from private consortia include multi-lane bridges, sunken tube tunnels and links with artificial islands.

Giles Merritt adds from Brussels: European Commission officials in Brussels were last night making plain their concern at the possibility that British Government policies would lead to the Channel Tunnel project being dropped.

Brussels has committed itself politically to paying 20 per cent of the cost of the projected BR-SNCF link. More important still, the project has now become a crucial element in the Commission's attempts to push through the transport

Weather

UK TODAY
BRIGHT intervals in south. Dull in north. Showers. London, S. England, Midlands, E. Anglia, S. Wales, Channel Isles

Fog and showers, bright intervals. Near normal. Max. 8C (46F).
N. and E. England, N. Wales
Dull, rain. Rather cold. Max. 6C (43F).

Borders, S. Scotland, Highlands, N. Ireland
Dull, probably dry. Rather cold. Max. 6C (43F).

N. Scotland, Orkney, Shetland
Bright intervals, some rain. Mild. Max. 8C (46F).

Outlook: Mostly dry. Cold weather likely to spread south.

WORLDWIDE

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